

Butler Township

Darke County

January 1, 2010 through December 31, 2011

Years Audited Under GAGAS: 2010 and 2011



CAUDILL & ASSOCIATES, CPA

725 5TH Street, Portsmouth, OH 45662

P: 740.353.5171 F: 740.353.3749

www.caudillcpa.com



Dave Yost • Auditor of State

Board of Trustees
Butler Township
4060 Grubbs Rex Road
Arcanum, Ohio 45304

We have reviewed the *Independent Auditors' Report* of Butler Township, Darke County, prepared by Caudill & Associates, CPAs, for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Butler Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 26, 2013

This page intentionally left blank.

Butler Township

Darke County

Table of Contents

For the Years Ended December 31, 2011 and 2010

<u>Title</u>	<u>Page</u>
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, 2011	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types - For the Year Ended December 31, 2010	4
Notes to the Financial Statements	5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	11
Schedule of Findings and Responses	12
Schedule of Prior Audit Findings	13

This page intentionally left blank.



Caudill & Associates, CPA

725 5th Street Portsmouth, OH 45662
P: 740.353.5171 | F: 740.353.3749
www.caudillcpa.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Butler Township
Darke County
4060 Grubbs-Rex Road
Arcanum, Ohio 45304

To the Township Board of Trustees:

We have audited the accompanying financial statements of Butler Township, Darke County, (the Township) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and December 31, 2010, or its changes in financial position.

Butler Township
Darke County

Independent Auditor's Report (continued)

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of Butler Township, Darke County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 7, during 2011, Butler Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2012, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Caudill & Associates, CPA

Caudill & Associates, CPA
December 22, 2012

Butler Township
Darke County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2011

	<u>Governmental Fund Types</u>		Totals
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Property and Local Taxes	\$ 59,979	\$ 73,174	\$ 133,153
Fines, Licenses and Permits	-	3,297	3,297
Intergovernmental	107,805	95,672	203,477
Earnings on Investments	791	46	837
Miscellaneous	284	2,254	2,538
Total Cash Receipts	168,859	174,443	343,302
Cash Disbursements:			
Current:			
General Government	60,111	360	60,471
Public Safety	-	44,898	44,898
Public Works	-	141,896	141,896
Public Health	6,653	2,782	9,435
Capital Outlay	99,321	-	99,321
Total Cash Disbursements	166,085	189,936	356,021
Total Receipts Over Disbursements	2,774	(15,493)	(12,719)
Fund Cash Balances, January 1	116,959	121,906	238,865
Fund Cash Balances, December 31			
Restricted	-	106,413	106,413
Unassigned (Deficit)	119,733	-	117,002
Fund Cash Balances, December 31	\$ 119,733	\$ 106,413	\$ 226,146

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

Butler Township
Darke County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2010

	<u>Governmental Fund Types</u>		Totals
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Property and Local Taxes	\$ 37,191	\$ 95,305	\$ 132,496
Fines, Licenses and Permits	-	4,381	4,381
Intergovernmental	18,821	105,743	124,564
Earnings on Investments	1,631	43	1,674
Miscellaneous	376	1,962	2,338
	<u>58,019</u>	<u>207,434</u>	<u>265,453</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	55,526	380	55,906
Public Safety	-	50,010	50,010
Public Works	-	135,251	135,251
Public Health	3,150	7,000	10,150
	<u>58,676</u>	<u>192,641</u>	<u>251,317</u>
Total Cash Disbursements	58,676	192,641	251,317
Total Receipts Over Disbursements	(657)	14,793	14,136
Fund Cash Balances, January 1	117,616	107,113	224,729
Fund Cash Balances, December 31	<u>\$ 116,959</u>	<u>\$ 121,906</u>	<u>\$ 238,865</u>

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

Butler Township
Darke County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 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, (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, including street maintenance and fire protection.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. 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 adequately disclose material matters, as the Auditor of State prescribes or permits.

C. Cash Deposits

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

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Motor Vehicle License Tax Fund – This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township roads.

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

Note 1 – Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

2. Special Revenue Funds (continued)

Fire District Fund - This fund receives the proceeds from a property tax levy to pay for fire protection services contracted through New Madison Fire Department and the Village of West Manchester.

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

Permissive Motor Vehicle Tax Fund – This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township roads.

Cemetery Fund – This fund receives the proceeds from cemetery operations.

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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

Butler Township
Darke County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 2 – Equity in Pooled Cash and Investments

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

	2011	2010
Demand Deposits	\$226,146	\$238,865

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution’s public entity deposit pool.

Note 3 – Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$137,831	\$168,859	\$31,028
Special Revenue	247,044	174,443	(72,601)
Total	\$384,875	\$343,302	\$(41,573)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$192,021	\$166,085	\$25,936
Special Revenue	248,600	189,936	58,664
Total	\$440,621	\$356,021	\$84,600

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$125,416	\$58,019	\$(67,397)
Special Revenue	265,251	207,434	(57,817)
Total	\$390,667	\$265,453	\$(125,214)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$85,378	\$58,676	\$26,702
Special Revenue	264,276	192,641	71,635
Total	\$349,654	\$251,317	\$98,337

Butler Township
Darke County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 4 - Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

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

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

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

Note 5 – Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries, and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

Note 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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

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, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 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
Darke County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	<u>(9,718,792)</u>	<u>(10,664,724)</u>
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

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>2011</u>	<u>2010</u>
\$5,473	\$3,658

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.

Butler Township
Darke County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 7 – Change in Accounting Principle

For 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on actual fund balances.



Caudill & Associates, CPA

725 5th Street Portsmouth, OH 45662
P: 740.353.5171 | F: 740.353.3749
www.caudillcpa.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Butler Township
Darke County
4060 Grubbs-Rex Road
Arcanum, Ohio 45304

To the Township Board of Trustees:

We have audited the financial statements of Butler Township, Darke County, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated December 22, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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 deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-001 to be a significant deficiency. 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.

Butler Township
Darke County

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
(Continued)

Compliance and Other Matters

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

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

A handwritten signature in black ink that reads "Caudill & Associates, CPA". The signature is written in a cursive, slightly slanted style.

Caudill & Associates, CPA

December 22, 2012

Butler Township
Darke County
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS
--

Finding Number 2011-001

Significant Deficiency – Checks Out of Sequence

During disbursement testing, we noted 98 instances of voided checks and 19 instances of manual checks which caused the Township checks to become out of sequence and not correspond to accounting ledgers and bank statements.

To strengthen internal control and to more accurately reflect the financial activity of the Township throughout each fiscal year, the following should be implemented:

- Numerical control over the checks should be established to assist the Township in the reconciliation process and to prevent misappropriation of funds;
- Procedures should be established to limit the number of voided checks;
- A payment register of general and payroll ledger checks should be provided to the Township Trustees and agreed to the checks before they are approved to prevent different amounts recorded to the system than the check amounts issued; and
- To reduce the chance of error from issuing manual checks, the Township should utilize their UAN accounting system check printing feature to further ensure that check amounts agree to the accounting system.

Township Response:

The Township chose not to respond.

Butler Township
Darke County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2011 and 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-001	Ohio Revised Code Section 5705.36	Yes	Finding No Longer Valid
2009-002	Checks Out of Sequence	No	Reissued as Finding 2011-001



Dave Yost • Auditor of State

BUTLER TOWNSHIP

DARKE 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
MARCH 12, 2013**