



Dave Yost • Auditor of State

**BUTLER TOWNSHIP
MERCER COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

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, Mercer County, Ohio, (the Township) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2015 and 2014, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Butler Township, Mercer County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 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

February 27, 2017

**BUTLER TOWNSHIP
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$63,807	\$287,036	\$350,843
Charges for Services	10,500		10,500
Licenses, Permits and Fees	1,476		1,476
Intergovernmental	37,690	145,710	183,400
Special Assessments		1,486	1,486
Earnings on Investments	766	377	1,143
Miscellaneous	4,099		4,099
<i>Total Cash Receipts</i>	<u>118,338</u>	<u>434,609</u>	<u>552,947</u>
Cash Disbursements			
Current:			
General Government	50,920	3,757	54,677
Public Safety	5,275	182,166	187,441
Public Works	97	218,805	218,902
Health	15,619		15,619
<i>Total Cash Disbursements</i>	<u>71,911</u>	<u>404,728</u>	<u>476,639</u>
<i>Excess of Receipts Over Disbursements</i>	<u>46,427</u>	<u>29,881</u>	<u>76,308</u>
<i>Fund Cash Balances, January 1</i>	<u>295,511</u>	<u>369,027</u>	<u>664,538</u>
Fund Cash Balances, December 31			
Restricted		228,875	228,875
Committed		170,033	170,033
Assigned	336,530		336,530
Unassigned	5,408		5,408
<i>Fund Cash Balances, December 31</i>	<u><u>\$341,938</u></u>	<u><u>\$398,908</u></u>	<u><u>\$740,846</u></u>

**BUTLER TOWNSHIP
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	(Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$56,194	\$259,880		\$316,074
Charges for Services	10,500			10,500
Licenses, Permits and Fees	1,225			1,225
Intergovernmental	23,250	142,713	\$21,000	186,963
Special Assessments		1,188		1,188
Earnings on Investments	653	321		974
Miscellaneous	4,277	9,328		13,605
<i>Total Cash Receipts</i>	<u>96,099</u>	<u>413,430</u>	<u>21,000</u>	<u>530,529</u>
Cash Disbursements				
Current:				
General Government	63,591	3,942		67,533
Public Safety	5,275	180,571		185,846
Public Works		154,470		154,470
Health	15,050			15,050
Capital Outlay		4,246	21,000	25,246
<i>Total Cash Disbursements</i>	<u>83,916</u>	<u>343,229</u>	<u>21,000</u>	<u>448,145</u>
<i>Excess of Receipts Over Disbursements</i>	<u>12,183</u>	<u>70,201</u>	<u>0</u>	<u>82,384</u>
<i>Fund Cash Balances, January 1</i>	<u>283,328</u>	<u>298,826</u>	<u>0</u>	<u>582,154</u>
Fund Cash Balances, December 31				
Restricted		228,579	0	228,579
Committed		140,448		140,448
Assigned	290,144			290,144
Unassigned	5,367			5,367
<i>Fund Cash Balances, December 31</i>	<u><u>\$295,511</u></u>	<u><u>\$369,027</u></u>	<u><u>\$0</u></u>	<u><u>\$664,538</u></u>

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

**BUTLER TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Butler Township, Mercer County, as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Coldwater to provide fire services and Mercer County EMS – Emergency Medical Services, Inc., to provide ambulance services.

The Township'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 Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the 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 invests all available funds of the Township in an interest-bearing checking account.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

Fire Levy Fund - This fund receives property tax money for the purpose of providing fire protection to the Township.

**BUTLER TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. Capital Project Funds

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

Issue II Fund - Butler Township received a grant in 2014 from the State of Ohio to pave one mile on Buschor Road.

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. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year.

A summary of 2015 and 2014 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

**BUTLER TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

2. EQUITY IN POOLED DEPOSITS

	2015	2014
Demand deposits	\$740,846	\$664,538
Total deposits	\$740,846	\$664,538

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

**BUTLER TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$118,340	\$118,338	(\$2)
Special Revenue	434,615	434,609	(6)
Total	<u>\$552,955</u>	<u>\$552,947</u>	<u>(\$8)</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$413,851	\$71,911	\$341,940
Special Revenue	803,639	404,728	398,911
Total	<u>\$1,217,490</u>	<u>\$476,639</u>	<u>\$740,851</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$88,164	\$96,099	\$7,935
Special Revenue	413,435	413,430	(5)
Capital Projects	21,000	21,000	
Total	<u>\$522,599</u>	<u>\$530,529</u>	<u>\$7,930</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$371,490	\$83,916	\$287,574
Special Revenue	712,262	343,229	369,033
Capital Projects	21,000	21,000	
Total	<u>\$1,104,752</u>	<u>\$448,145</u>	<u>\$656,607</u>

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.

**BUTLER TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participant' gross salaries. The Township has paid all contributions required through December 31, 2015.

6. RISK MANAGEMENT

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

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

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

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 and 2014 (latest information available)

	2015	2014
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

**BUTLER TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. RISK MANAGEMENT (Continued)

At December 31, 2015 and 2014, 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 and 2014, 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 \$2,000.

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.

Contributions to OTARMA	
2015	2014
\$4,137	\$4,148

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



Dave Yost • Auditor of State

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

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

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, Mercer County, Ohio, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated February 27, 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.

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 2015-003 to be a material weakness.

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

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-001 and 2015-002.

Entity's Response to Findings

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

Purpose of this Report

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

Dave Yost
Auditor of State
Columbus, Ohio

February 27, 2017

**BUTLER TOWNSHIP
MERCER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Finding for Recovery Repaid Under Audit – Noncompliance – Insurance Premium Reimbursement

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

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

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

The Township reimbursed Trustee, Fred Kahlig for health insurance under ORC 505.601 in the amount of \$6,502 for the year ended December 31, 2015, with \$1,625 being disbursed from the General Fund and \$4,877 being disbursed from the Road and Bridge Fund. The supporting documentation used to make the reimbursements only showed \$2,021 in out-of-pocket health care premiums incurred by Mr. Kahlig for 2015. The Township may only reimburse their trustees for each out-of-pocket health care premium incurred under ORC 505.601.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Fred Kahlig in the amount of \$4,481 and in favor of the Township's General Fund and Road and Bridge Fund.

Upon notification of the error by the Auditor of State's office, the Township notified the Trustee and he repaid to the Township \$4,481 on February 25, 2017 per receipt #18-2017.

Officials' Response:

\$4,481 paid back in full by Fred Kahlig as you already have the proof.

FINDING NUMBER 2015-002

Noncompliance

Health Insurance Premium Payment

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

2008 Op. Att'y Gen. No. 2008-018 explains, in part, that Ohio Rev. Code Section 505.601 specifically limits the circumstances in which a board of township trustees may make such reimbursements, as follows: 2) reimbursement is only for each out-of-pocket health care premium the officer or employee incurs for the types of insurance benefits listed in R.C. 505.60(A).

The Township did not reimburse a Trustee for health insurance premiums under ORC 505.601 but instead the premiums were paid directly to the vendor by the Township for part of 2014. The Township may not pay health insurance premiums for its trustees directly to the vendor under ORC 505.601.

The Township's resolution also did not state what type of insurance could be reimbursed for under ORC 505.601.

Officials' Response:

Butler Township now has Group health insurance plan, dental, vision and an HSA account.

FINDING NUMBER 2015-003

Material Weakness

Accuracy of Financial Statement

Transactions were posted to the accounting records and annual reports; however, not all transactions were posted to the correct line item accounts. The following items were not properly posted during 2015 and 2014:

- In 2015, the Township incorrectly recorded payments to the Health District from tax settlements which overstated general government line item disbursements by \$15,119 and understated health line item disbursements in the General Fund.
- In 2015, the Township incorrectly allocated health insurance reimbursements which overstated the public works line item disbursements by \$6,688 and understated the general government line item disbursements in the General Fund.
- In 2014, the Township incorrectly recorded payments to the Health District from tax settlements which overstated general government line item disbursements by \$15,050 and understated health line item disbursements in the General Fund.
- In 2014, the Township incorrectly recorded tax revenue at net which understated property and other local taxes revenue by \$7,939 and understated general government disbursements in the General Fund.

Governmental Accounting Standards Board (GASB) Statement No. 54 (GASB Codification 1800.170-1800.177) - *Fund Balance Reporting and Governmental Fund Type Definitions* gives definitions for each of the following fund types General, Special Revenue, Capital Project, Debt Service, and Permanent. GASB Statement No. 54 also establishes fund balance classifications that stipulate use of fund balances based on the extent to which a government is required to observe constraints imposed upon the use of the resources reported in governmental funds and for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The following errors were noted as a result of the Township not properly implementing GASB Statement No 54:

- In 2015, a portion of the General Fund balance was reclassified from unassigned to assigned in the amount of \$336,530 to properly reflect 2016 appropriations made that exceeded 2016 estimated receipts per GASB 54 guidance. In 2014, a portion of the General Fund balance was reclassified from unassigned to assigned in the amount of \$290,144 to properly reflect 2015 appropriations made that exceeded 2015 estimated receipts per GASB 54 guidance.
- In 2015 and 2014, the Township misclassified the zoning fund as a Special Revenue fund instead of as part of the General Fund per GASB 54 guidance. This resulted in the following variances: An overstatement of licenses, permits, and fees in the Special Revenue Funds by \$1,476 and \$1,225, and a corresponding understatement in the General Fund, respectively for each year. Also, an overstatement of general government disbursements in the Special Revenue funds by \$1,435 and \$1,133, and a corresponding understatement in the General Fund. The ending fund balances were overstated in the Special Revenue funds and understated in the General Fund by \$5,408 and \$5,367, respectively.

The adjustments are reflected on the audited financial statements and have been posted to the Township's records.

Procedures were not in place to properly review the accuracy of financial reporting.

Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts. The fiscal officer should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted in accordance with the Township's chart of accounts. The Fiscal Officer should also provide reports to the Board of Trustees to review the classification of receipts and expenditures in the UAN system for accuracy. The Township Fiscal Officer should review Auditor of State Bulletin 2011-004 when completing the annual report to properly implement GASB Statement No. 54. Failure to do so may result in incorrect classification of funds and inaccurate financial statements.

Officials' Response:

The Health District distribution is now being charged to Account #1000-420-370-0000. The Zoning Fund is now classified and properly mapped to the General Fund.

**BUTLER TOWNSHIP
MERCER COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Status	Additional Information
2013-001	Finding for Recovery – Vision Dental Insurance – Repaid Under Audit	Corrected	Finding was repaid under prior audit. No Vision or Dental Insurance was reimbursed during current audit period.
2013-002	Finding for Recovery – Vision Dental Insurance – Repaid Under Audit	Corrected	Finding was repaid under prior audit. No Vision or Dental Insurance was reimbursed during current audit period.
2013-003	Finding for Recovery – Vision Dental Insurance – Repaid Under Audit	Corrected	Finding was repaid under prior audit. No Vision or Dental Insurance was reimbursed during current audit period.
2013-004	GASB 54 Reporting – Material Weakness	Partially Corrected	See Finding 2015-003. Correctly reported Road and Bridge Fund, however failed to report Zoning Fund with General Fund.
2013-005	Allocation of Insurance Premiums – Material Weakness	Partially Corrected	See Finding 2015-003. Insurance Premiums payments properly followed payroll certifications as to correct funds but not to correct line items within the funds.