

BUTLER TOWNSHIP

RICHLAND COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2007 and 2006

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

Board of Trustees
Butler Township
8256 Olivesburg-Fitchville Road
Greenwich, Ohio 44837

We have reviewed the *Report of Independent Accountants* of Butler Township, Richland County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through December 31, 2007. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 11, 2008

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BUTLER TOWNSHIP
RICHLAND COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2007 and 2006

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Butler Township
Richland County
6183 Olivesburg-Fitchville Rd.
Greenwich, OH 44837

To the Board of Trustees:

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

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2007 and 2006. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure its financial statement amounts, 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, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

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

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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.

Charles E. Harris & Associates, Inc.
March 21, 2008

**BUTLER TOWNSHIP
 RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
 FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 For the Year Ended December 31, 2007**

	<u>Governmental Fund Types</u>		<u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Cash Receipts:			
Taxes	\$ 34,682	\$ 109,732	\$ 144,414
Intergovernmental	30,573	99,125	129,698
Licenses, Permits, and Fees	95,654	1,150	96,804
Earnings on Investments	8,706	2,442	11,148
Other Revenue	16,627	1,041	17,668
Total Cash Receipts	186,242	213,490	399,732
Cash Disbursements:			
Current:			
General Government	73,642	-	73,642
Public Safety	39,399	-	39,399
Public Works	-	255,289	255,289
Health	4,147	1,029	5,176
Debt Service:			
Redemption of Principal	-	24,675	24,675
Interest and Fiscal Charges	-	403	403
Total Cash Disbursements	117,188	281,396	398,584
Cash Receipts Over/(Under) Cash Disbursements	69,054	(67,906)	1,148
Other Financing Sources/(Uses):			
Transfers-In	-	50,000	50,000
Transfers-Out	(50,000)	-	(50,000)
Total Other Financing Sources/(Uses)	(50,000)	50,000	-
Excess of Cash Receipts Over/(Under) Cash Disbursements	19,054	(17,906)	1,148
Fund Balance, January 1, 2007	115,041	135,780	250,821
Fund Balance, December 31, 2007	\$ 134,095	\$ 117,874	\$ 251,969
Reserve for Encumbrances	\$ 300	\$ -	\$ 300

See accompanying Notes to the Financial Statements.

**BUTLER TOWNSHIP
RICHLAND COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2006**

	<u>Governmental Fund Types</u>		<u>(Memorandum Only) Total</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Taxes	\$ 32,561	\$ 108,419	\$ 140,980
Intergovernmental	39,942	97,595	137,537
Licenses, Permits, and Fees	103,930	600	104,530
Earnings on Investments	5,935	1,987	7,922
Other Revenue	15,669	998	16,667
Total Cash Receipts	198,037	209,599	407,636
Cash Disbursements:			
Current:			
General Government	92,123	-	92,123
Public Safety	36,300	-	36,300
Public Works	-	184,608	184,608
Health	5,093	295	5,388
Capital Outlay	14,225	30,315	44,540
Debt Service:			
Redemption of Principal	-	26,107	26,107
Interest and Fiscal Charges	-	1,275	1,275
Total Cash Disbursements	147,741	242,600	390,341
Cash Receipts Over/(Under) Cash Disbursements	50,296	(33,001)	17,295
Other Financing Sources/(Uses):			
Transfers-In	-	60,000	60,000
Transfers-Out	(60,000)	-	(60,000)
Total Other Financing Sources/(Uses)	(60,000)	60,000	-
Excess of Cash Receipts Over/(Under) Cash Disbursements	(9,704)	26,999	17,295
Fund Balance, January 1, 2006	124,745	108,781	233,526
Fund Balance, December 31, 2006	\$ 115,041	\$ 135,780	\$ 250,821
Reserve for Encumbrances	\$ 53	\$ 1,595	\$ 1,648

See accompanying Notes to the Financial Statements.

BUTLER TOWNSHIP
RICHLAND COUNTY, OHIO
Notes To The Financial Statements
For The Years Ended December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Butler Township, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected, three-member Board of Trustees. The Township provides general government services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

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

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed by the Auditor of State.

C. CASH AND INVESTMENTS

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded 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 is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

BUTLER TOWNSHIP
RICHLAND COUNTY, OHIO
Notes To The Financial Statements
For The Years Ended December 31, 2007 and 2006
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** - (continued)

2. **Special Revenue Funds**

To account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund – This fund receives gasoline tax monies from the State of Ohio for construction and repair of Township streets.

Permissive Sales Tax Fund – This fund receives sales tax proceeds for maintenance and repairs of Township's roads and equipment.

E. **BUDGETARY PROCESS**

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

1. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The 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 balances 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 commitments are made. Encumbrances outstanding at year-end are carried forward to the succeeding year without being re-appropriated.

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

**BUTLER TOWNSHIP
RICHLAND COUNTY, OHIO
Notes To The Financial Statements
For The Years Ended December 31, 2007 and 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2007	2006
Demand Deposits	\$ 251,969	\$ 250,821

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Township or (3) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

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

<u>Fund:</u>	<u>2007 Budgeted vs Actual Receipts</u>		
	Budgeted	Actual	Variance
	Receipts	Receipts	
General Fund	\$ 190,000	\$ 186,242	\$ (3,758)
Special Revenue Funds	231,818	263,490	31,672

<u>Fund:</u>	<u>2007 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General Fund	\$ 275,000	\$ 167,488	\$ 107,512
Special Revenue Funds	316,600	281,396	35,204

**BUTLER TOWNSHIP
RICHLAND COUNTY, OHIO
Notes To The Financial Statements
For The Years Ended December 31, 2007 and 2006
(Continued)**

3. BUDGETARY ACTIVITY – (continued)

<u>Fund:</u>	<u>2006 Budgeted vs Actual Receipts</u>		
	Budgeted	Actual	Variance
	<u>Receipts</u>	<u>Receipts</u>	
General Fund	\$ 185,000	\$ 198,037	\$ 13,037
Special Revenue Funds	251,298	269,599	18,301

<u>Fund:</u>	<u>2006 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	Appropriation	Budgetary	Variance
	<u>Authority</u>	<u>Expenditures</u>	
General Fund	\$ 306,653	\$ 207,794	\$ 98,859
Special Revenue Funds	351,381	244,195	107,186

4. PROPERTY TAXES

Real property becomes a lien on January 1 preceding the October 1 date for which rates are adopted by Township Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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 on the property owners, who must file a list of such property to the County by each April 30.

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

5. RETIREMENT SYSTEM

Full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plans. This plan provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. OPERS members contributed 9.5% and 9% of their wages for 2007 and 2006, respectively. The Township contributed an amount equal to 13.85% for 2007 and 13.7% for 2006 of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**BUTLER TOWNSHIP
 RICHLAND COUNTY, OHIO
 Notes To The Financial Statements
 For The Years Ended December 31, 2007 and 2006
 (Continued)**

6. RISK MANAGEMENT

The Township belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with around 500 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The plan provides property, liability, errors and omissions, law enforcement, for each member's need. The Plan pays judgments, settlements and other expenses resulting from other claims that exceed the member's deductibles. The individual members are only responsible for the self-retention (deductible) amounts that vary from member to member.

The Pool's audited financial statements conform to generally accepted accounting principles, and reported the following assets, liabilities and member's equity at December 31:

	<u>2007</u>	<u>2006</u>
Assets	\$11,136,455	\$9,620,148
Liabilities	<u>4,273,553</u>	<u>3,329,620</u>
Retained Earnings	<u>\$11,136,455</u>	<u>\$9,620,148</u>

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

Settled Claims have not been exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The Township pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

The Township also provides health insurance coverage to full-time employees through the Richland County Employee Benefit Plan.

7. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Butler Township
Richland County
6183 Olivesburg-Fitchville Rd.
Greenwich, OH 44837

To the Board of Trustees:

We have audited the financial statements of Butler Township, Richland County, Ohio (Township) as of and for the years ended December 31, 2007 & 2006, and have issued our report thereon dated March 21, 2008 wherein we noted the Township followed accounting practices prescribed or permitted by the Auditor of State of Ohio. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices prescribed or permitted by the Auditor of State of Ohio such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Township in a separate letter dated March 21, 2008.

This report is intended for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
March 21, 2008

BUTLER TOWNSHIP
 RICHLAND COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 December 31, 2007 and 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain: Per ADAM 2001-10 Disclose the current year finding in this schedule
2005-BTRC-01	ORC Section 5705.09 -Failure to Establish Capital Projects Fund	Yes	Corrected; The Township did not receive money from OPWC in 2006 or 2007.
2005-BTRC-02	ORC Section 5705.41(B) – Expenditures exceeded Appropriations	Yes	Corrected; Expenditures did not exceed appropriations.



Mary Taylor, CPA
Auditor of State

BUTLER TOWNSHIP

RICHLAND 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
AUGUST 21, 2008**