

BUTLER TOWNSHIP

RICHLAND COUNTY, OHIO

REGULAR AUDIT

For the Years Ended December 31, 2021 and 2020





65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

Board of Trustees
Butler Township
6183 Olivesburg Fitchville Road
Greenwich, OH 44837

We have reviewed the *Independent Auditor's Report* of Butler Township, Richland County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2020 through December 31, 2021. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The law requires that employers withhold income and wage taxes from employees' paychecks and remit those taxes to the government. The United States Internal Revenue Code, for example, requires employers to deduct from wages paid to employees the employees' share of FICA taxes and individual income taxes. See **26 U.S.C. §§3102(a) and 3402(a)**. Those withholdings are considered to be held in "a special fund in trust for the United States." **26 U.S.C. § 7501(a)**. The employer is liable for the withheld portion of the employee's wages and must pay over the full amount to the government each quarter. See **United States v. Farr, 536 F.3d 1174, 1176 (10th Circ. 2008)** (citing **26 U.S.C. § 3403**).

Shirley Baker served as the Fiscal Officer for Butler Township, Richland County from April 1, 2016 until March 31, 2024. During her time in office, Ms. Baker did not file:

- 941 forms with the Internal Revenue Service for quarterly remittances from second quarter 2016 through 4th quarter 2020, a total of 19 consecutive quarterly filings;
- W-3 forms for tax years 2016 through 2020.
- W-2 forms for tax years 2016 through 2020.

As a result, the Township incurred and paid \$22,269 in penalties, late fees and interest.

Board of Trustees
Butler Township
6183 Olivesburg Fitchville Road
Greenwich, OH 44837
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In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Shirley Baker and her bonding company, Western Surety Company, jointly and severally, in the amount of \$22,269, and in favor of Butler Township, Richland County, General Fund, in the amount of \$22,269.

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.



Keith Faber
Auditor of State
Columbus, Ohio

April 04, 2025

**BUTLER TOWNSHIP
RICHLAND COUNTY
Regular Audit
For the Years Ended December 31, 2021 and 2020**

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INDEPENDENT AUDITOR'S REPORT

Butler Township
Richland County
6514 North Adario Road
Shiloh, OH 44878

To the Township Trustees:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of Butler Township, Richland County, Ohio (the Township), which comprise the cash balances, receipts and disbursements for each governmental fund type as of and for the year ended December 31, 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type and as of and for the year ended December 31, 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2021, or the changes in financial position for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Township on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinions regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's 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.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.

May 31, 2024

BUTLER TOWNSHIP
RICHLAND 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, 2021

	<u>General</u>	<u>Special Revenue</u>	Totals- (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$ 27,255	\$ 137,277	\$ 164,532
Intergovernmental	27,405	154,830	182,235
Licenses, Permits and Fees	222,598	2,600	225,198
Rentals	840	-	840
Earnings on Investments	157	50	207
Miscellaneous	<u>4,632</u>	<u>264</u>	<u>4,896</u>
 Total Receipts	 282,887	 295,021	 577,908
Cash Disbursements:			
Current:			
General Government	249,735	-	249,735
Public Safety	47,700	-	47,700
Public Works	-	237,662	237,662
Health	<u>54,442</u>	<u>1,357</u>	<u>55,799</u>
 Total Disbursements	 <u>351,877</u>	 <u>239,019</u>	 <u>590,896</u>
 Net Change in Fund Cash Balances	 (68,990)	 56,002	 (12,988)
 Fund Cash Balance, January 1, 2021	 <u>393,891</u>	 <u>508,435</u>	 <u>902,326</u>
 Fund Cash Balance, December 31, 2021	 <u>\$ 324,901</u>	 <u>\$ 564,437</u>	 <u>\$ 889,338</u>

See Accompanying Notes to the Financial Statements.

Butler Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Butler Township, Richland 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 and cemetery maintenance. The Township contracts with the Franklin Township Fire Department, CB&S Joint Fire District, and Savannah Volunteer Fire Department to provide fire protection and medical services.

Public Entity Risk Pool

The Township participates in a public entity risk pool. Note 7 to the financial statements provide additional information for this entity.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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, which is organized on a fund type basis.

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.

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:

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.

Road and Bridge Fund The road and bridge fund accounts for and reports property tax revenue from inside millage committed for constructing, maintaining, and repairing Township roads and bridges.

Permissive Sales Tax Fund The permissive sales tax fund accounts for and reports that portion of permissive sales tax restricted for construction, maintenance, and repair of roads and bridges within the Township.

American Rescue Plan Act (ARPA) Fund The ARPA fund accounts for and reports federal grant monies used to assist local governments with the coronavirus pandemic.

Butler Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Basis of Accounting

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 (C). 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 (C) permit.

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

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.

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 2021 budgetary activity appears in Note 4.

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.

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.

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:

Butler Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

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. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Compliance

Contrary to Ohio law, the Township Fiscal Officer did not certify to the County Auditor the total amount from all sources available for expenditures from each fund; therefore, no budgeted receipts were formally approved for the year ended December 31, 2021. Budgetary expenditures exceeded appropriation authority for all funds for the year ended December 31, 2021, because the Township did submit required budgetary documents to the County Auditor.

Butler Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$282,887	\$282,887
Special Revenue	- -	295,021	295,021
Total	\$ -	\$577,908	\$577,908

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$427,792	(\$427,792)
Special Revenue	- -	263,716	(263,716)
Total	\$ -	\$691,508	(\$691,508)

Note 5 – Deposits

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township's deposit and investment accounts are as follows:

	2021
Demand deposits	\$571,106
Other time deposits (savings and NOW accounts)	318,232
Total deposits	\$889,338

Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the Township is holding \$13,251 in unremitted employee payroll withholdings.

Note 6 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts.

Butler Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 6 – Property Taxes (continued)

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.

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

Note 7 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

2021

Cash and investments	\$34,880,599
Actuarial liabilities	\$10,601,444

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Butler Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Township 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 postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2021.

Note 9 – Postemployment Benefits

OPERS offers 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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2021.

Note 10 – Debt

Debt outstanding at December 31, 2021, was as follows:

	Principal	Interest Rate
2019 Equipment Bonds	<u>\$31,591</u>	4.08%
Total	<u>\$31,591</u>	

The Township issued \$100,000 in equipment bonds in October 2019 to finance the purchase of a snow plow and related equipment. The first payment was scheduled to begin on April 9, 2020. The have semi-annual scheduled payments of \$11,157. In 2020, the Township made an extra principal payment of \$50,000 in addition to the two semi-annual scheduled payments. The Township did not make any payments in 2021.

Amortization

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

Year Ending December 31:	Equipment Bonds
2022	\$22,314
2023	12,189
Total	<u><u>\$34,503</u></u>

Butler Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 11 – Fund Balances

Included in fund balance are amounts the Township cannot spend. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

		Special	
Fund Balances	<u>General</u>	<u>Revenue</u>	<u>Total</u>
Outstanding Encumbrances	<u>\$75,915</u>	<u>\$24,697</u>	<u>\$100,612</u>

The fund balance of special revenue funds is either restricted or committed. These restricted and committed amounts in the special revenue funds include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During 2021, the Township received COVID-19 funding. The Township will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

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

Butler Township
Richland County
6514 North Adario Road
Shiloh, OH 44878

To the Board of Trustees:

We have audited, 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, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type as of and for the year ended December 31, 2021 and the related notes to the financial statements of Butler Township, Richland County, (the Township) and have issued our report thereon dated May 31, 2024, wherein we noted the Township followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. 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 Township's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2021-001 that we consider to be a material weakness.

Butler Township
Richland County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance that we are required to report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2021-002 and 2021-003.

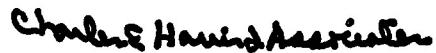
We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 31, 2024.

Township's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Township's responses to the findings identified in our audit and described in the accompanying Corrective Action Plan. The Township's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.

May 31, 2024

INDEPENDENT AUDITOR'S REPORT

Butler Township
Richland County
6514 North Adario Road
Shiloh, OH 44878

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental fund type and the related notes of Butler Township, Richland County, Ohio (the Township) as of and for the year ended December 31, 2020.

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(C) 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 2 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(C), 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(C) 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, 2020, and changes in financial position for the year 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 for each governmental fund type and the related notes of Butler Township, Richland County, Ohio, as of December 31, 2020 and for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. As discussed in Note 12 to the financial statements, the Township made several changes to its reporting model. We did not modify our opinions regarding these matters.

Butler Township
Richland County
Independent Auditor's Report
Page 3

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2024, 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.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.
May 31, 2024

**BUTLER TOWNSHIP
RICHLAND 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, 2020

	<u>General</u>	<u>Special Revenue</u>	Totals- (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$ 28,850	\$ 73,676	\$ 102,526
Intergovernmental	29,835	149,643	179,478
Licenses, Permits and Fees	204,264	1,350	205,614
Contributions and Donations	822	1,806	2,628
Rentals	415	-	415
Earnings on Investments	1,147	281	1,428
Miscellaneous	<u>20,922</u>	<u>2,816</u>	<u>23,738</u>
Total Receipts	286,255	229,572	515,827
Cash Disbursements:			
Current:			
General Government	210,896	-	210,896
Public Safety	42,600	-	42,600
Public Works	-	82,570	82,570
Health	43,512	1,175	44,687
Capital Outlay	-	1,388	1,388
Debt Service:			
Principal Retirement	68,409	-	68,409
Interest and Fiscal Charges	<u>3,905</u>	<u>-</u>	<u>3,905</u>
Total Disbursements	369,322	85,133	454,455
Excess of Receipts Over/(Under) Disbursements	(83,067)	144,439	61,372
Other Financing Receipts			
Sale of Capital Assets	-	18,000	18,000
Total Other Financing Receipts	-	18,000	18,000
Net Change in Fund Cash Balances	(83,067)	162,439	79,372
Fund Cash Balance, January 1, 2020	476,958	345,996	822,954
Fund Cash Balance, December 31, 2020	\$ 393,891	\$ 508,435	\$ 902,326

See Accompanying Notes to the Financial Statements.

Butler Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Butler Township, Richland 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 and cemetery maintenance. The Township contracts with the Franklin Township Fire Department, CB&S Joint Fire District, and Savannah Volunteer Fire Department to provide fire services and ambulance services.

Public Entity Risk Pool

The Township participates in a public entity risk pool. Note 7 to the financial statements provide additional information for this entity.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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, which is organized on a fund type basis.

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.

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:

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.

Road and Bridge Fund The road and bridge fund accounts for and reports property tax revenue from inside millage committed for constructing, maintaining, and repairing Township roads and bridges.

Permissive Sales Tax Fund The permissive sales tax fund accounts for and reports that portion of permissive sales tax restricted for construction, maintenance, and repair of roads and bridges within the Township.

Butler Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Basis of Accounting

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 (C).

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 (C) permit.

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

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.

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 2020 budgetary activity appears in Note 4.

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.

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.

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:

Butler Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

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. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority for all funds for the year ended December 31, 2020, because the Township did not submit all required budgetary documents to the County Auditor.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

Fund Type	2020 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$284,400	\$286,255	\$1,855
Special Revenue	152,000	247,572	95,572
Total	<u>\$436,400</u>	<u>\$533,827</u>	<u>\$97,427</u>

Butler Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 4 – Budgetary Activity (continued)

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$432,261	(\$432,261)
Special Revenue	-	109,262	(109,262)
Total	\$ -	\$541,523	(\$541,523)

Note 5 – Deposits

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township's deposit and investment accounts are as follows:

	2020
Demand deposits	\$584,300
Other time deposits (savings and NOW accounts)	318,026
Total deposits	<u>\$902,326</u>

Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the Township is holding \$7,988 in unremitted employee payroll withholdings.

Note 6 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Butler Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 7 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

2020

Cash and investments	\$36,348,066
Actuarial liabilities	\$10,894,146

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Township 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 postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2020.

Butler Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 9 – Postemployment Benefits

OPERS offers 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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2020.

Note 10 – Debt

Debt outstanding at December 31, 2020, was as follows:

	Principal	Interest Rate
2019 Equipment Bonds	<u>\$31,591</u>	4.08%
Total	<u>\$31,591</u>	

The Township issued \$100,000 in equipment bonds in October 2019 to finance the purchase of a snow plow and related equipment. The first payment was scheduled to begin on April 9, 2020. The bonds have semi-annual scheduled payments of \$11,157. In 2020, the Township made an extra principal payment of \$50,000 in addition to the two semi-annual scheduled payments.

Amortization

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

Year Ending December 31:	Equipment Bonds
2021	\$22,314
2022	<u>10,562</u>
Total	<u><u>\$32,876</u></u>

Note 11 – Fund Balances

Included in fund balance are amounts the Township cannot spend. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

	Special		
Fund Balances	General	Revenue	Total
Outstanding Emcumbrances	<u>\$62,939</u>	<u>\$24,129</u>	<u>\$87,068</u>

The fund balance of special revenue funds is either restricted or committed. These restricted and committed amounts in the special revenue funds include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Butler Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 12 – Change in Accounting Principle

For 2020, the Township has made a change to their cash basis reporting model by removing the fund balance classifications from the combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) – all governmental fund types.

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The Township's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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

Butler Township
Richland County
6514 North Adario Road
Shiloh, Ohio 44878

To the Board of Trustees:

We have audited, 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, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type as of and for the year ended December 31, 2020 and the related notes to the financial statements of Butler Township, Richland County, (the Township) and have issued our report thereon dated May 31, 2024, wherein we noted the Township followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township and several changes to its reporting model.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. 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 Township's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2021-001 that we consider to be a material weakness.

Butler Township
Richland County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance that we are required to report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2021-002 and 2021-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 31, 2024.

Township's Responses to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.

May 31, 2024

BUTLER TOWNSHIP
RICHLAND COUNTY, OHIO
SCHEDULE OF FINDINGS
For the Years End December 31, 2021 and 2020

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

Finding Number 2021-001 – Material Weakness

Bank Reconciliations

Sound accounting practices require that when designing the public office's system of internal control and specific control activities, management should ensure adequate security and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records. The reconciliation of cash (bank) balances to accounting system records (books) is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft, and fraud to occur without timely detection. The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis. The Board is responsible for reviewing the reconciliation and related support.

In both 2020 and 2021, the Township did not resolve many differences between the adjusted bank balances and the balances reflected within the Township's accounting records. The annual reports for each year were filed with the Auditor of State with these unresolved differences.

A consultant was contracted to perform the bank reconciliations for both years and identified many adjustments that were required to be posted to the accounting system. There were new financial statements prepared and subsequently submitted to the Auditor of State's office.

Failure to reconcile book balances monthly increases the possibility the Township will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations, including support for adjustments, increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Fiscal Officer should ensure all transactions are recorded and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be timely investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items).

Management's Response:

See Corrective Action Plan on page 30.

Finding 2021-002 – Noncompliance

Payroll Taxes

26 U.S.C. 3102(a) and 3402(a) requires that employers withhold taxes from employees' paychecks and remit those taxes to the government, such as the employees' share of FICA taxes and individual income taxes. Those withholdings are considered to be held in "a special fund in trust for the United States." See 26 U.S.C. 7501(a). The employer is liable for the withheld portion of the employee's wages and must pay over the full amount to the government each quarter.

BUTLER TOWNSHIP
RICHLAND COUNTY, OHIO
SCHEDULE OF FINDINGS-Continued
For the Years End December 31, 2021 and 2020

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

Finding 2021-002 – Noncompliance (continued)

Payroll Taxes (continued)

The Fiscal Officer is the official responsible for withholding and remitting the required income taxes from Township employee earnings. During 2021, the Township paid late filing fees and penalties in the amount of \$22,270 to the Internal Revenue Service for 2016 through 2021 withholding tax returns.

The penalties and interest charges paid by the Township during 2021 served no proper public purpose and could have been avoided had the funds been remitted as required by law.

We recommend the Fiscal Officer remit state, federal, and unemployment taxes withheld on a timely basis. The Township should review all applicable guidance for preparing, filing and payment of these taxes so that the Township meets all requirements and avoids potential significant liabilities. This information was communicated to the Ohio Auditor of State for further consideration.

Management’s Response – See Corrective Action Plan on page 30.

Finding Number 2021-003 – Noncompliance

Budgetary Law Violations/Budgetary Entries in UAN System

Ohio Revised Code Section 5705.36 states, in part, that “...On or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.81 of the Revised Code, from each fund created by or on behalf of the taxing authority.” In 2021, the Township did not file a Certificate of the Total Amount Available for Expenditures and Balances.

Ohio Revised Code Section 5705.39 states, in part, that “... The total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure therefrom, as certified by the budget commission...” It further states that ...”no appropriation is official unless filed with the County Budget Commission and certified by the County Auditor”. The Township Trustees approved appropriations for 2020 and 2021 but those resolutions were not filed with the County Budget Commission.

As a result of violations of the budgetary laws referenced in the preceding paragraphs, the Township expended monies in excess of appropriation authority for all funds in both 2020 and 2021, in violation of Ohio Revised Code 5705.41(B).

We recommend that the Township Trustees and Fiscal Officer establish procedures to ensure that required budgetary documents are not only approved by the Trustees but filed with the County Budget Commission and certified by the County Auditor.

Management’s Response – See Corrective Action Plan on page 30.

**BUTLER TOWNSHIP
RICHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
For the Years Ended December 31, 2021 and 2020
Prepared by Management**

Finding Number	Finding Summary	Status	Additional Information
2019-001	Material Weakness-Audit adjustments and reclassifications	Not Corrected	
2019-002	Material Noncompliance /Material Weakness-Revenue posted to wrong funds	Not Corrected	
2019-003	Material Noncompliance/Material Weakness-Budgetary Requirements	Not Corrected	
2019-003	Material Noncompliance/Significant Deficiency-Payroll taxes	Not Corrected	

**BUTLER TOWNSHIP
RICHLAND COUNTY**
For the Years Ended December 31, 2021 and 2020

CORRECTIVE ACTION PLAN – PREPARED BY MANAGEMENT

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2021-001	The Township will review the recommended documents and review their procedures for preparing financial statements.	December 31, 2024	Kathryn Hout, Fiscal Officer
2021-002	The Township file tax returns and make remittances on a timely basis	Immediately	Kathryn Hout, Fiscal Officer
2021-003	The Fiscal Officer will submit budgeted receipts and appropriations to the County auditor for certification. The Fiscal Officer will have all appropriations approved prior to entering them into UAN. The Board and fiscal officer will compare appropriations and estimated receipts in UAN to budgetary documents filed with the County Auditor on a regular basis to ensure they agree.	Immediately	Kathryn Hout, Fiscal Officer

OHIO AUDITOR OF STATE KEITH FABER



BUTLER TOWNSHIP

RICHLAND COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 4/17/2025

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov