



**ROYALTON TOWNSHIP
FULTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

ROYALTON TOWNSHIP
FULTON COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Royalton Township
Fulton County
106 Eagle Street
P.O. Box 302
Lyons, Ohio 43533-0302

To the Board of Trustees:

We have audited the accompanying financial statements of Royalton Township, Fulton County, Ohio, (the Township) as of and for the years ended December 31, 2000 and 1999. 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 audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 the Township as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

May 10, 2001

**ROYALTON TOWNSHIP
FULTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Local Taxes	\$35,773	\$68,873	\$27,315		\$131,961
Intergovernmental	77,366	70,925	2,615		150,906
Charges for Services			8,863		8,863
Licenses, Permits, and Fees		100			100
Earnings on Investments	7,695	752	2,540		10,987
Other Revenue		5,943			5,943
	<u>120,834</u>	<u>146,593</u>	<u>41,333</u>		<u>308,760</u>
Cash Disbursements:					
Current:					
General Government	80,654				80,654
Public Safety		37,525			37,525
Public Works		81,202			81,202
Health	455	14,362			14,817
Debt Service:					
Redemption of Principal		7,438			7,438
Interest and Fiscal Charges		186			186
Capital Outlay			570		570
	<u>81,109</u>	<u>140,713</u>	<u>570</u>		<u>222,392</u>
Total Receipts Over Disbursements	<u>39,725</u>	<u>5,880</u>	<u>40,763</u>		<u>86,368</u>
Other Financing Receipts:					
Other Sources		250			250
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	39,725	6,130	40,763		86,618
Fund Cash Balances, January 1	118,171	98,759	32,699	\$17,044	266,673
Fund Cash Balances, December 31	<u>\$157,896</u>	<u>\$104,889</u>	<u>\$73,462</u>	<u>\$17,044</u>	<u>\$353,291</u>
Reserve for Encumbrances, December 31	<u>\$14,105</u>	<u>\$15,888</u>			<u>\$29,993</u>

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

**ROYALTON TOWNSHIP
FULTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Local Taxes	\$28,281	\$57,602	\$40,175		\$126,058
Intergovernmental	55,755	75,155	4,181		135,091
Charges for Services			10,225		10,225
Earnings on Investments	3,162	558	677	\$763	5,160
Other Revenue		6,704			6,704
Total Cash Receipts	<u>87,198</u>	<u>140,019</u>	<u>55,258</u>	<u>763</u>	<u>283,238</u>
Cash Disbursements:					
Current:					
General Government	66,996				66,996
Public Safety		42,766			42,766
Public Works		97,022			97,022
Health	2,390	7,452			9,842
Miscellaneous				486	486
Debt Service:					
Redemption of Principal		7,667			7,667
Interest and Fiscal Charges		828			828
Capital Outlay			74,004		74,004
Total Cash Disbursements	<u>69,386</u>	<u>155,735</u>	<u>74,004</u>	<u>486</u>	<u>299,611</u>
Total Receipts Over/(Under) Disbursements	<u>17,812</u>	<u>(15,716)</u>	<u>(18,746)</u>	<u>277</u>	<u>(16,373)</u>
Other Financing Receipts:					
Other Sources		15,348			15,348
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>17,812</u>	<u>(368)</u>	<u>(18,746)</u>	<u>277</u>	<u>(1,025)</u>
Fund Cash Balances, January 1	100,359	99,127	51,445	16,767	267,698
Fund Cash Balances, December 31	<u><u>\$118,171</u></u>	<u><u>\$98,759</u></u>	<u><u>\$32,699</u></u>	<u><u>\$17,044</u></u>	<u><u>\$266,673</u></u>
Reserve for Encumbrances, December 31		<u>\$5,508</u>			<u>\$5,508</u>

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

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Royalton Township, Fulton County, (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 governmental 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 or permitted by the Auditor of State.

C. Cash

Certificates of deposit are valued at cost.

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. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

Special Fire Levy Fund - This fund receives special levy tax revenue and provides fire services for the Township

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant capital project funds.

Capital Equipment Fund - This fund receives tax revenues and charges for fire services to assist the Township in purchasing fire equipment used to provide fire services for the Township.

4. Fiduciary Funds (Trust and Agency Funds)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary funds:

Jones Cemetery Bequest Funds - These funds are used to account for nonexpendable trusts. Interest earned are used for cemetery maintenance.

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 Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not timely encumber all commitments. No material unrecorded encumbrances were outstanding at December 31.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(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. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

2. EQUITY IN POOLED CASH

The Township maintains a cash 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:

	<u>2000</u>	<u>1999</u>
Demand deposits	\$337,954	\$251,336
Certificates of deposit	15,337	15,337
Total deposits	<u>\$353,291</u>	<u>\$266,673</u>

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$87,473	\$120,834	\$33,361
Special Revenue	142,330	146,843	4,513
Capital Projects	34,930	41,333	6,403
Fiduciary	680		(680)
Total	<u>\$265,413</u>	<u>\$309,010</u>	<u>\$43,597</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$205,143	\$95,214	\$109,929
Special Revenue	239,447	156,601	82,846
Capital Projects	67,500	570	66,930
Fiduciary	17,000		17,000
Total	<u>\$529,090</u>	<u>\$252,385</u>	<u>\$276,705</u>

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$74,960	\$87,198	\$12,238
Special Revenue	146,807	155,367	8,560
Capital Projects	98,605	55,258	(43,347)
Fiduciary	750	763	13
Total	<u>\$321,122</u>	<u>\$298,586</u>	<u>(\$22,536)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$174,277	\$69,386	\$104,891
Special Revenue	245,493	161,243	84,250
Capital Projects	149,700	74,004	75,696
Fiduciary	16,750	486	16,264
Total	<u>\$586,220</u>	<u>\$305,119</u>	<u>\$281,101</u>

Contrary to Ohio Revised Code, the Township did not follow all requirements related to encumbering commitments.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of 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 payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% for 1999 and 10.84% for 2000 of participants' gross salaries. The Township has paid all contributions required through December 31, 2000.

6. RISK MANAGEMENT

The Township is a member of the Ohio Township Risk Management Authority Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty;
- Public official's liability; and
- Vehicle.

The Township also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Royalton Township
Fulton County
106 Eagle Street
P.O. Box 302
Lyons, Ohio 43533-0302

To the Board of Trustees:

We have audited the accompanying financial statements of Royalton Township, Fulton County, Ohio, (the Township) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 10, 2001. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2000-40126-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 10, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 10, 2001.

Royalton Township
Fulton County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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.

Jim Petro
Auditor of State

May 10, 2001

**ROYALTON TOWNSHIP
FULTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-40126-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

Should this requirement not be met, the section provides two exceptions which could prevent the contract from being void, which are called “then and now” certifications:

- A. Concerning contracts where the amount in question is \$1,000 or greater, the fiscal officer should present to the taxing authority of the subdivision or taxing unit a certificate stating that, at both the time the contract was made and at the time of the issuance of said certificate, a sufficient sum had been appropriated and was in the treasury or in the process of being collected and that money was free from any encumbrances. Within thirty days from the receipt of the certificate, the legislative authority may authorize a warrant for the payment of the amount due.

- B. Concerning amounts less than \$1,000, the fiscal officer must issue a certificate stating the same as in the first exception. However, the fiscal officer does not need to seek the approval of the legislative authority in order to authorize the payment of the contract.

Also, this code section states that fiscal officers may prepare so-called “regular blanket” certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current fiscal year. The regular blanket certificates may, but need not, be limited to a specific vendor. Only one regular blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

In addition to regular blanket certificates, a subdivision’s fiscal officer may also issue so-called “super blanket” certificates for amounts over \$5,000 for expenditures and contracts from a specific line-item appropriation account in a specified fund for most professional services, fuel, oil, food items and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the fiscal year. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

The following was noted:

- Thirty-three percent of the transactions tested were not certified at the time the commitment was incurred.
- Of the transaction tested which were blankets, 39 percent exceeded three months or extended beyond the fiscal year end.
- Then and now certifications were used extensively in 2000, which served as blankets. Fifty percent of those over \$1,000 were not approved by the Board of Trustees by resolution.

We recommend that the Clerk certify all expenditures at the point when the contract is entered into or orders for goods or services are placed by Township officials. The certification can also be made through the use of "a regular blanket," "then and now" or "super blanket" certificates. Then and now certificates should be used as an exception, not the rule. Also, we recommend the Clerk to review Auditor of State Bulletins 97-010 and 98-004 which discuss the various certifications.



STATE OF OHIO
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ROYALTON TOWNSHIP

FULTON 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
JUNE 5, 2001**