



Mary Taylor, CPA
Auditor of State

ROYALTON TOWNSHIP
FULTON COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 10, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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, (the Township) as of and for the years ended December 31, 2008 and 2007. 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 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, 2008 and 2007, 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 of Royalton Township, Fulton County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 September 10, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

September 10, 2009

**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, 2008**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Private Purpose Trust</u>	
Cash Receipts:					
Property and Other Local Taxes	\$44,208	\$98,758	\$26,769		\$169,735
Charges for Services		106,271			106,271
Intergovernmental	40,499	131,374	7,267		179,140
Earnings on Investments	14,065	1,676		\$299	16,040
Miscellaneous	29	14,514			14,543
Total Cash Receipts	<u>98,801</u>	<u>352,593</u>	<u>34,036</u>	<u>299</u>	<u>485,729</u>
Cash Disbursements:					
Current:					
General Government	84,570	48,676	630		133,876
Public Safety		84,540			84,540
Public Works		101,058			101,058
Health		7,649		630	8,279
Capital Outlay	4,134		31,342		35,476
Debt Service:					
Redemption of Principal	1,905				1,905
Total Cash Disbursements	<u>90,609</u>	<u>241,923</u>	<u>31,972</u>	<u>630</u>	<u>365,134</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>8,192</u>	<u>110,670</u>	<u>2,064</u>	<u>(331)</u>	<u>120,595</u>
Fund Cash Balances, January 1	<u>152,312</u>	<u>655,760</u>	<u>220,568</u>	<u>14,747</u>	<u>1,043,387</u>
Fund Cash Balances, December 31	<u>\$160,504</u>	<u>\$766,430</u>	<u>\$222,632</u>	<u>\$14,416</u>	<u>\$1,163,982</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, 2007**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Private Purpose Trust</u>	
Cash Receipts:					
Property and Other Local Taxes	\$47,716	\$111,289	\$30,043		\$189,048
Charges for Services		150,949			150,949
Licenses, Permits, and Fees		210			210
Intergovernmental	70,132	100,183	6,843		177,158
Earnings on Investments	21,996	2,092		\$342	24,430
Miscellaneous	338	50,489			50,827
Total Cash Receipts	<u>140,182</u>	<u>415,212</u>	<u>36,886</u>	<u>342</u>	<u>592,622</u>
Cash Disbursements:					
Current:					
General Government	93,459	91,560	637		185,656
Public Safety		87,855			87,855
Public Works		99,449			99,449
Health		10,790		603	11,393
Capital Outlay	2,000		9,850		11,850
Debt Service:					
Redemption of Principal	1,905				1,905
Total Cash Disbursements	<u>97,364</u>	<u>289,654</u>	<u>10,487</u>	<u>603</u>	<u>398,108</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>42,818</u>	<u>125,558</u>	<u>26,399</u>	<u>(261)</u>	<u>194,514</u>
Fund Cash Balances, January 1	<u>109,494</u>	<u>530,202</u>	<u>194,169</u>	<u>15,008</u>	<u>848,873</u>
Fund Cash Balances, December 31	<u><u>\$152,312</u></u>	<u><u>\$655,760</u></u>	<u><u>\$220,568</u></u>	<u><u>\$14,747</u></u>	<u><u>\$1,043,387</u></u>

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

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Royalton Township, Fulton 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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with LifeStar Ambulance Inc. to provide ambulance services

The Township participates in the Ohio Township Risk Management Authority (OTARMA) a public entity risk pool. Note 7 to the financial statements provides additional information for this activity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

The Township values certificate of deposit 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(Continued)**

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.

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

Special Levy Fire Fund - This fund receives special levy tax revenue to provide fire services for the Township, including the Village of Lyons. The fire department contracts with adjoining townships to provide fire protection services to a portion of their townships.

Emergency Medical Services Fund - This fund receives revenues from Fulton County to provide ambulance and emergency medical services to the Township and throughout the county when other departments need assistance. The Township in turn contracts with LifeStar Ambulance Inc. to provide personnel to man these services along with volunteer fire department personnel.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

Fire Capital Equipment Fund – This fund receives tax revenues to assist the Township in maintaining the fire station building, and purchasing fire fighting equipment used to provide fire services to the Township.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust fund is used to maintain and furnish flowers for the graves listed in the Cora Hawley Jones Bequest Trust Fund.

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. Appropriations lapse at year end.

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(Continued)**

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must 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 canceled, and reappropriated in the subsequent year.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 follows:

	2008	2007
Demand deposits	\$774,520	\$674,148
Certificates of deposit	389,462	372,239
Total deposits	\$1,163,982	\$1,046,387

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$88,714	\$98,801	\$10,087
Special Revenue	416,667	352,593	(64,074)
Capital Projects	39,303	34,036	(5,267)
Fiduciary	550	299	(251)
Total	\$545,234	\$485,729	(\$59,505)

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(Continued)**

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$211,911	\$90,609	\$121,302
Special Revenue	1,278,519	241,923	1,036,596
Capital Projects	268,500	31,972	236,528
Fiduciary	700	630	70
Total	<u>\$1,759,630</u>	<u>\$365,134</u>	<u>\$1,394,496</u>

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$94,000	\$140,182	\$46,182
Special Revenue	391,305	415,212	23,907
Capital Projects	33,647	36,886	3,239
Fiduciary	450	342	(108)
Total	<u>\$519,402</u>	<u>\$592,622</u>	<u>\$73,220</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$195,044	\$97,364	\$97,680
Special Revenue	1,047,732	289,654	758,078
Capital Projects	226,500	10,487	216,013
Fiduciary	800	603	197
Total	<u>\$1,470,076</u>	<u>\$398,108</u>	<u>\$1,071,968</u>

Contrary to Ohio law, interest earnings were credited to the Capital Equipment Fund rather than the General Fund.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(Continued)**

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. Debt

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission	\$20,955	0%

The Township has received a 0% interest loan from the Ohio Public Works Commission for a road improvements project at the intersection of Township roads 10 and RS. The loan was for \$28,575 with semi-annual payments of \$952.52 over a 15 year period.

Amortization of the above debt is scheduled as follows:

	Ohio Public Works Commission
Year ending December 31:	
2009	\$1,905
2010	1,905
2011	1,905
2012	1,905
2013	1,905
2014 - 2019	11,430
Total	\$20,955

6. Retirement System

The Township's 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 healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

7. Risk Management

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

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(Continued)**

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(Continued)**

accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 the latest information available.

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$7,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2006	\$10,296
2007	\$ 7,633
2008	\$ 6,996

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 financial statements of Royalton Township, Fulton County, (the Township) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated September 10, 2009 wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-002 and 2008-003 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiencies described above are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated September 10, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 and 2008-002

We also note certain noncompliance matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 10, 2009.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 10, 2009

**ROYALTON TOWNSHIP
FULTON COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Finding for Recovery Repaid Under Audit

Ohio Revised Code §505.26 allows the Board of Trustees to purchase, lease, or construct, and furnish, equip, and maintain office space as long as there is a properly enacted resolution and provided the Township has no township hall. Additionally, Townships are creatures of statute and therefore only possess those powers that are conferred upon them by statute or are by necessary implication requisite to perform the duties so imposed upon them. OAG 1961-2715

Royalton Township's Uniform Accounting Network computer is located at the Fiscal Officer home and is connected to his personnel DSL internet service through Embarq Communications. In 2007 and 2008 the Board of Trustees approved to reimburse the Fiscal Officer a maximum monthly amount of \$29 for charges incurred on his Embarq Communications bill for DSL internet services for the township computer. The Fiscal Officer received \$15 each month in 2008 and 2007 in reimbursement for DSL internet services documented on his monthly Embarq Communication bill.

Royalton Township has a township hall which could be assessed with internet capabilities. As stated above, a township is authorized to expend public funds for the purposes stated in ORC§505.26 where sufficient township office space is not available. Therefore, the provisions of Ohio Revised Code §505.26 are not applicable and the disbursements made to reimburse the Fiscal Officer for his Embarq Communication bills for DSL internet services were improper.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code §117.28, a finding for recovery for public money illegally expended is hereby issued against Joe Damman's Fiscal Officer of Royalton Township and the, Travelers Casualty and Surety Company of America, Mr. Damman bonding company, jointly and severally in the amount of \$360 in favor of Royalton Township's General Fund.

The finding for recovery was repaid by Mr. Damman on August 31, 2009 on receipt #53-209 in the amount of \$360.

FINDING NUMBER 2008-002

Noncompliance Citation/Material Weakness

Ohio Revised Code § 135.21, provides interest earned on the investment of pooled assets be credited to the General Fund unless otherwise expressly provided by law.

The Township improperly credited the Capital Equipment Fund with interest earnings of \$9,207 in 2007 and \$5,294 in 2008. These monies should have been credited to the General Fund.

Adjustments were made to accompanying financial statements and to the Township's accounting system to correct these interest allocations.

We recommend the Township post interest to the General Fund according to Ohio Revised Code §135.21 unless otherwise expressly provided by law.

FINDING NUMBER 2008-003

Material Weakness

Financial Reporting

As a result of the audit procedures performed, the following errors were noted in the financial statements required audit adjustments.

Real estate rollback homestead, tangible personal property tax reimbursements, \$10,000 personal property tax exemption, public utility reimbursements and manufactured home rollbacks of \$5,265 within the General Fund in 2007 and \$5,401 within the Capital Equipment Fund in 2007 were posted as property and other taxes instead of intergovernmental. Also Tangible personal property tax reimbursement and \$10,000 personal property tax exemption of and manufactured home rollback of \$3,032 within the General Fund and \$3,017 within the Capital Equipment Fund in 2008 were posted as property and other local taxes instead of intergovernmental.

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Board of Trustees, to identify and correct errors and omissions. The Fiscal Officer should also review the Township Handbook's chart of accounts to ensure all accounts are being properly posted to the financial statements.

Officials Response:

We did not receive a response from Officials to the findings reported above.

ROYALTON TOWNSHIP
FULTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2006-001	Inaccurate posting of transactions to financial statements.	No	Not Corrected. Reissued as finding #2008-003 in this report.



Mary Taylor, CPA
Auditor of State

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
OCTOBER 6, 2009**