



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Royalton Township, Fulton County, Ohio (the Township), agreed, solely to assist the Board in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2012 and 2011, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management and the Board are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Cash

1. We tested the mathematical accuracy of the December 31, 2012 and December 31, 2011 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2011 beginning fund balances recorded in the Fund Status Report to the December 31, 2010 balances from documentation in the prior year Agreed Upon Procedures working papers. We found no exceptions. We also agreed the January 1, 2012 beginning fund balances recorded in the Fund Status Report to the December 31, 2011 balances in the Fund Status Report. The amounts did not agree. The beginning fund balances in the January 1, 2012 Fund Status Report was \$160.77 greater than the ending fund balances in the December 31, 2011 Fund Status Report. The difference was due to interest related to 2011 being posted in January, 2012, for an incorrect amount, and subsequently voided. The correct interest amount was then posted in 2012. We recommend interest be posted in the month earned for the correct amount.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2012 and 2011 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2012 bank account balances with the Township's financial institutions. We found no exceptions. The balances agreed. We also agreed the confirmed balances to the amounts appearing in the December 31, 2012 bank reconciliation without exception.
5. We selected four reconciling debits (such as outstanding checks) haphazardly from the December 31, 2012 bank reconciliation:
 - a. We traced each debit to the subsequent January and February bank statements. We found no exceptions.

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- b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. We noted no exceptions.

Property Taxes, Intergovernmental and Other Confirmable Cash Receipts

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2012 and one from 2011:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Revenue Ledger Report. The amounts agreed.
 - b. We determined whether the receipt was allocated to the proper funds as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
 - c. We determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Receipt Register Report to determine whether it included two real estate tax receipts for 2012 and 2011. We noted the Revenue Ledger Report included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2012 and five from 2011. We also selected five receipts from the County Auditor's Expense Transaction Ledgers from 2012 and five from 2011.
 - a. We compared the amount from the above reports to the amount recorded in the Revenue Ledger Report. The amounts agreed.
 - b. We determined whether these receipts were allocated to the proper funds. In 2012, \$2,065 in Permissive Tax receipts were posted to the Motor Vehicle License Tax Fund that should have been posted to the Permissive Tax Fund. In 2011, Permissive Tax receipts were posted to the Motor Vehicle License Tax Fund for \$1,635 and the Gas Tax Fund for \$508 that should have been posted to the Permissive Tax Fund. Ohio Revised Code § 5705.10(D) requires that all revenue derived from a source other than the general property tax and which the law prescribes, shall be used for a particular purpose is to be paid into a special fund. We recommend the Township post the Permissive Tax revenues to the fund established for that purpose. The Township has posted the adjustment to the accounting system.
 - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.
4. We confirmed the amounts paid from Fulton County for the EMS Contract during 2012 and 2011 with the County. We found no exceptions.
 - a. We determined whether these receipts were allocated to the proper funds. We found no exceptions.
 - b. We determined whether the receipts were recorded in the proper year. We found no exceptions.
5. We confirmed the amounts paid from Pike Township for fire contracts during 2012 and 2011 with the Township. We found no exceptions.

- a. We determined whether these receipts were allocated to the proper funds. We found no exceptions.
 - b. We determined whether the receipts were recorded in the proper year. We found no exceptions.
6. We confirmed the amounts paid from Chesterfield Township for fire contracts during 2012 and 2011 with the Township. We found no exceptions.
- a. We determined whether these receipts were allocated to the proper funds. We found no exceptions.
 - b. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Debt

1. From the prior agreed-upon procedures documentation, we noted the following notes and loans outstanding as of December 31, 2010. These amounts agreed to the Township's January 1, 2011 balances on the summary we used in step 3, except for the 2009 Fire Truck Bank Promissory Note. The January 1, 2011 beginning balance was \$39,639. The loaning institution has not provided an amortization schedule. A difference exists between the time the Fiscal Officer calculates and makes payments and the time the bank processes the payments causing a difference in the principal amount applied.

Issue	Principal outstanding as of December 31, 2010:
OPWC Cap Project Loan	\$18,098
2009 Fire Truck Bank Promissory Note	39,650

2. We inquired of management, and scanned the Revenue Ledger Report and Appropriations Ledger Report, for evidence of debt issued during 2012 or 2011 or debt payment activity during 2012 or 2011. We noted that the proceeds of a bank promissory note for \$83,653 for the purchase of a dump truck were not posted to the Revenue Ledger in 2011. The bank loan was paid directly to the vendor. The Township should post any debt proceeds it receives along with the related expenditures to its books of account.
3. We obtained a summary of note debt activity for 2012 and 2011 and compared principal and interest payments from the related debt amortization schedules to debt payments made from the General Road and Bridge and Permanent Improvement funds reported in the Appropriations Ledger Report. Payments do not always agree to the amortization schedules. The Fiscal Officer makes payments throughout the life of the loans that exceed the minimum required payment. We also compared the date the debt service payments were due to the date the Township made the payments. We found no exceptions.
4. For new debt issued during 2012 and 2011, we inspected the debt legislation, noting the Township must use the proceeds to purchase a dump truck. We scanned the Appropriations Ledger Report and noted the Township purchased a dump truck in November, 2011. Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. This debt is a bank loan between a banking institution and the Township, and as such, the loan does not meet the requirements set forth in Ohio Revised Code Chapter 133. We recommend the Township only acquire debt proceeds authorized by the Ohio Revised Code.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2012 and one payroll check for five employees from 2011 from the Payment Register Detail Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Manual Payroll Worksheets to supporting documentation (timecard, legislatively or statutorily-approved rate. We found no exceptions.
 - b. We recomputed gross and net pay and agreed it to the amount recorded in the payroll register. We found no exceptions.
 - c. We determined whether the fund and account codes to which the check was posted were reasonable based on the employees' duties as documented in the minute record **or** as required by statute. We also determined whether the payment was posted to the proper year. We found no exceptions.

2. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2012 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period of 2012. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes and Medicare (and social security, for employees not enrolled in pension system)	January 31, 2013	January 7, 2013	\$521.98	\$521.98
State income taxes	January 31, 2013	January 7, 2013	505.70	505.70
School District Tax	January 31, 2013	January 7, 2013	420.96	420.96
OPERS retirement	January 30, 2013	January 25, 2013	2,352.54	2,352.54

Non-Payroll Cash Disbursements

We haphazardly selected ten disbursements from the Appropriations Ledger for the year ended December 31, 2012 and ten from the year ended December 31, 2011 and determined whether:

- a. The disbursements were for a proper public purpose. We found no exceptions.
- b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Appropriations Ledger and to the names and amounts on the supporting invoices. We found no exceptions.

- c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
- d. The fiscal officer certified disbursements requiring certification or issued a *then and now certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found five instances where the certification date was after the vendor invoice date, and there was also no evidence that a *then and now certificate* was issued. Ohio Rev. Code Section 5705.41(D) requires certifying at the time of a commitment, which should be on or before the invoice date, unless a *then and now certificate* is used. We recommend the fiscal officer certify all disbursements requiring certification or issue *then and now certificates*. Because we did not test all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.

Compliance – Budgetary

1. We compared the total estimated receipts from the *Certificate of the Total Amount From All Sources Available For Expenditures and Balances*, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Gasoline Tax, and Ambulance and EMS funds for the years ended December 31, 2012 and 2011. The amounts on the *Certificate* agreed to the amount recorded in the accounting system for 2012. For 2011, the General, Gasoline Tax, and the Ambulance and EMS funds did not agree. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General, Gasoline Tax, and the Ambulance and EMS funds of \$93,608, \$77,800, and \$83,450 respectively for 2011. However, the final *Amended Official Certificate of Estimated Resources* reflected \$93,500, \$77,500, and \$82,000 respectively. The fiscal officer should periodically compare amounts of estimated receipts recorded in the Revenue Status Report to amounts recorded on the *Amended Official Certificate of Estimated Resources* to assure they agree. If the amounts do not agree, the Trustees may be using inaccurate information for budgeting and monitoring purposes.
2. We scanned the appropriation measures adopted for 2012 and 2011 to determine whether, for the General, Gasoline Tax, and the Ambulance and EMS funds, the Trustees appropriated separately for each office, department, and division, and within each, the amount appropriated for personal services," as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2012 and 2011 for the following funds: General, Gasoline Tax, and the Ambulance and EMS funds. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status report.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Gasoline Tax, and Ambulance and EMS funds for the years ended December 31, 2012 and 2011. For 2012, we noted appropriations for the General, Gasoline Tax, and Ambulance and EMS funds exceeded certified resources by \$26,212, \$24,423, and \$6,874 respectively. In 2011 the General Fund appropriations exceeded certified resources by \$1,715 contrary to Ohio Rev. Code Section 5705.39. The Trustees should not pass appropriations exceeding certified resources. Allowing this to occur could cause the Township to incur fund balance deficits.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2012 and 2011 for the General, Gasoline Tax, and Ambulance and EMS funds, as recorded in the Appropriation Status Report. We noted no funds for which expenditures exceeded appropriations.

6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Revenue Ledger Report for evidence of new restricted receipts requiring a new fund during December 31, 2012 and 2011. We also inquired of management regarding whether the Township received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Township to establish a new fund.
7. We scanned the 2012 and 2011 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers exceeding \$500 which Ohio Rev. Code Sections 5705.14 - .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas.
8. We inquired of management and scanned the Appropriation Status Reports to determine whether the Township elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. We noted the Township did not establish these reserves.

Compliance – Contracts and Expenditures

We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2012 and 2011 to determine if the Township proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project \$15,000-\$45,000) or to construct or reconstruct Township roads (cost of project \$5,000-\$15,000/per mile) for which Ohio Rev. Code Section 5575.01 requires the county engineer to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the county engineer to complete a force account cost estimate.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Township's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance, and others within the Township, and is not intended to be, and should not be used by anyone other than these specified parties.



Dave Yost
Auditor of State

August 5, 2013



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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
AUGUST 27, 2013**