



Dave Yost • Auditor of State

**ROYALTON TOWNSHIP
FULTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Royalton Township, Fulton County, Ohio, (the Township) as of and for the years ended December 31, 2014 and 2013.

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(D) 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 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 opinion.

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

As described in Note 1 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(D), 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 basis of 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(D) 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, 2014 and 2013, or changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Royalton Township, Fulton County, Ohio, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2015, 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.



Dave Yost
Auditor of State

Columbus, Ohio

September 25, 2015

**ROYALTON TOWNSHIP
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$44,218	\$121,354	\$27,810		\$193,382
Charges for Services		139,387			139,387
Intergovernmental	18,444	155,150	4,290		177,884
Earnings on Investments	729	318		\$10	1,057
Miscellaneous	5,884	10,696			16,580
<i>Total Cash Receipts</i>	<u>69,275</u>	<u>426,905</u>	<u>32,100</u>	<u>10</u>	<u>528,290</u>
Cash Disbursements					
Current:					
General Government	103,649	51,429	695		155,773
Public Safety		102,734			102,734
Public Works		119,445			119,445
Health		5,334		470	5,804
Capital Outlay		53,052			53,052
Debt Service:					
Principal Retirement	1,905	21,175			23,080
Interest and Fiscal Charges		867			867
<i>Total Cash Disbursements</i>	<u>105,554</u>	<u>354,036</u>	<u>695</u>	<u>470</u>	<u>460,755</u>
<i>Net Change in Fund Cash Balances</i>	(36,279)	72,869	31,405	(460)	67,535
<i>Fund Cash Balances, January 1</i>	<u>115,536</u>	<u>1,104,920</u>	<u>172,751</u>	<u>12,860</u>	<u>1,406,067</u>
Fund Cash Balances, December 31					
Nonspendable				10,000	10,000
Restricted		859,644	204,156	2,400	1,066,200
Committed		318,145			318,145
Assigned	79,257				79,257
<i>Fund Cash Balances, December 31</i>	<u>\$79,257</u>	<u>\$1,177,789</u>	<u>\$204,156</u>	<u>\$12,400</u>	<u>\$1,473,602</u>

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

**ROYALTON TOWNSHIP
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$49,423	\$113,825	\$27,550		\$190,798
Charges for Services		112,722			112,722
Fines and Forfeitures		3,998			3,998
Intergovernmental	20,312	110,890	4,350		135,552
Earnings on Investments	849	399			1,248
Miscellaneous	4,386	22,385			26,771
<i>Total Cash Receipts</i>	<u>74,970</u>	<u>364,219</u>	<u>31,900</u>		<u>471,089</u>
Cash Disbursements					
Current:					
General Government	111,183	56,090	701		167,974
Public Safety		90,739			90,739
Public Works		112,258			112,258
Health		7,368		\$475	7,843
Capital Outlay	1,462	78,440			79,902
Debt Service:					
Principal Retirement	1,905	20,841			22,746
Interest and Fiscal Charges		1,374			1,374
<i>Total Cash Disbursements</i>	<u>114,550</u>	<u>367,110</u>	<u>701</u>	<u>475</u>	<u>482,836</u>
<i>Net Change in Fund Cash Balances</i>	(39,580)	(2,891)	31,199	(475)	(11,747)
<i>Fund Cash Balances, January 1</i>	<u>155,116</u>	<u>1,107,811</u>	<u>141,552</u>	<u>13,335</u>	<u>1,417,814</u>
Fund Cash Balances, December 31					
Nonspendable				10,000	10,000
Restricted		829,990	172,751	2,860	1,005,601
Committed		274,930			274,930
Assigned	115,526				115,526
Unassigned	10				10
<i>Fund Cash Balances, December 31</i>	<u>\$115,536</u>	<u>\$1,104,920</u>	<u>\$172,751</u>	<u>\$12,860</u>	<u>\$1,406,067</u>

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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.

B. Accounting Basis

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(D). 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(D) permit.

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.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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:

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

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

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.

Fire and Emergency Medical Services Fund - This fund receives revenues from Fulton County to provide ambulance and emergency medical services and other Townships to provide fire protection services.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.. 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. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant Permanent Fund:

Jones Bequest Fund - The fund receives interest earned on a nonexpendable corpus from a trust agreement. The earnings are used to maintain and furnish flowers for the graves listed in the trust agreement.

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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus

ROYALTON TOWNSHIP
FULTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

cash as of January 1. The County Budget Commission must 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 2014 and 2013 budgetary activity appears in Note 3.

F. 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:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. 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.

3. 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.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. 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.

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

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.

G. 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 was as follows:

	2014	2013
Demand deposits	\$1,473,602	\$1,406,067

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, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$70,874	\$69,275	(\$1,599)
Special Revenue	359,426	426,905	67,479
Capital Projects	32,869	32,100	(769)
Permanent		10	10
Total	\$463,169	\$528,290	\$65,121

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$186,400	\$105,554	\$80,846
Special Revenue	1,461,620	354,036	1,107,584
Capital Projects	204,066	695	203,371
Permanent	2,929	470	2,459
Total	<u>\$1,855,015</u>	<u>\$460,755</u>	<u>\$1,394,260</u>

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$102,000	\$74,970	(\$27,030)
Special Revenue	336,540	364,219	27,679
Capital Projects	31,800	31,900	100
Permanent	25		(25)
Total	<u>\$470,365</u>	<u>\$471,089</u>	<u>\$724</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$230,331	\$114,550	\$115,781
Special Revenue	1,442,178	367,110	1,075,068
Capital Projects	174,000	701	173,299
Permanent	3,000	475	2,525
Total	<u>\$1,849,509</u>	<u>\$482,836</u>	<u>\$1,366,673</u>

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.

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

5. Debt

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan	\$10,478	
General Obligation Loan	21,200	2.32%
Total	<u>\$31,678</u>	

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.

The Township has received a general obligation loan to finance the purchase of a new dump truck and plowing equipment for Township road maintenance.

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

Year ending December 31:	<u>O.P.W.C. Loan</u>	<u>General Obligation Loan</u>
2015	\$1,905	\$22,031
2016	1,905	
2017	1,905	
2018	1,905	
2019	1,905	
2020	953	
Total	<u>\$10,478</u>	<u>\$22,031</u>

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 the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

7. Risk Management

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

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

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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 and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2014, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Assets	\$34,954,286	\$35,970,263
Liabilities	8,486,363	8,912,432
Net Position	\$26,467,923	\$27,057,831

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$6,000.

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.

Contributions to OTARMA

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

<u>2013</u>	<u>2014</u>
\$11,387	\$11,695

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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.

8. Miscellaneous Receipts

In 2013 Special Revenue fund Miscellaneous Receipts primarily consisted of a donation of \$10,000 from an estate, \$6,000 from reimbursements for a hose roller, and a \$1,500 grant from an insurance company. The 2014 Special Revenue fund Receipts primarily consisted of a \$4,450 reimbursement for fire runs and \$2,500 from insurance reimbursements. The 2014 General Fund Miscellaneous Receipts were mainly from a \$4,700 workman's compensation rebate.

9. Compliance

Contrary to the Ohio law, in 2013, personal property tax reimbursements and permissive motor vehicle license tax monies were allocated to improper funds.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Royalton Township, Fulton County, Ohio, (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated September 25, 2015 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. 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. We consider findings 2014-001 through 2014-003 described in the accompanying schedule of findings to be material weaknesses.

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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* as item 2014-003.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 25, 2015

**ROYALTON TOWNSHIP
FULTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Material Weakness – Fund Classification

Governmental Accounting Standards Board (GASB) Statement No. 54 established criteria for reporting governmental fund balances based on constraints placed upon the use of resources reported in the governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

Assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed such as encumbrance within the general fund. When appropriation measures are adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource (appropriated for general fund uses or appropriations exceed estimated receipts), then that portion of fund balance should be classified as assigned.

In 2014, the General fund had appropriations of \$186,400 and estimated revenues of \$70,874 thereby assigning \$115,526 of the 2013 ending fund balance. In 2015, the General fund had appropriations of \$146,467 and estimated revenues of \$67,210 thereby assigning \$79,257 of the 2014 ending fund balance.

Restricted revenues included those where constraints have placed been on the use by either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments (i.e., State Statutes); or (b) imposed by law through constitutional provisions or enabling legislation.

Committed revenues include amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (such as an ordinance or resolution).

The Board of Trustees approved using inside millage committing these monies for road and bridge and cemetery improvements and maintenance purposes. These amounts have been placed into the Road and Bridge and Cemetery Funds and reported the Road and Bridge and Cemetery Funds balances of \$43,190 and \$32,218 at December 31, 2013 and \$49,038 and \$46,225 at December 31, 2014 respectively as "restricted" instead of "committed."

The Fire and Emergency Medical Service (EMS) fund received revenue as a result of a contract with Fulton County which the Trustees have decided will be used for fire and EMS purposes. This action results in the fund balances of \$199,522 at December 31, 2013 and \$222,882 at December 31, 2014 being committed instead of restricted.

Management was not aware of these fund classifications. Audit adjustments have been made to the various funds and the Township's accounting records to properly report the year end fund balances.

In order to ensure the Township's governmental fund balances are reported in accordance with GASB 54, we recommend the Township review Auditor of State Bulletin 2011-004.

FINDING NUMBER 2014-002

Material Weaknesses - Financial Reporting

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Due to the lack of final review of the 2013 and 2014 financial statements, the following errors were noted in the financial statements that required audit adjustments:

1. Personal Property Tax and rollback and homestead reimbursements in the General Fund (\$8,276 in 2013 and \$7,258 in 2014), Road and Bridge Fund (\$4,585 in 2013 and \$4,545 in 2014), Cemetery Fund (\$1,455 in 2013 and \$2,390 in 2014), Fire Levy Fund (\$7,553 in 2013 and \$7,448 in 2014), Road Improvement Special Levy Fund (\$3,998 in 2013 and \$3,935 in 2014), and Fire Equipment Capital Project Fund (\$3,796 in 2013 and \$4,290 in 2014) were posted as property taxes instead of intergovernmental revenues.
2. Fire and Emergency Medical reimbursements from the County Auditor in the Special Revenue Funds (\$7,100 in 2013 and \$10,600 in 2014) were posted as Intergovernmental and Miscellaneous revenues instead of Charges for Services.
3. Grant Funds received by the Fire Levy Fund (\$1,510 in 2013 and \$39,730 in 2014) were posted as Miscellaneous revenues instead of Intergovernmental revenue.

Adjustments were recorded in the accompanying financial statements to correct these errors.

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 the Trustees, to identify and correct errors and omissions. In addition, the Fiscal Officer should also review the workbook for Township cash basis Annual Financial Report.

FINDING NUMBER 2014-003

Material Weakness – Noncompliance Citation

Ohio Rev. Code §5705.10 requires all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

Due to the lack of final review of the 2013 financial statements, the following monies were recorded to incorrect funds:

Tangible personal property tax reimbursement for the Fire Equipment Capital Projects Fund in the amount of \$554 was allocated to the Road Improvement Special Levy Fund.

Permissive motor vehicle license tax monies in the amount of \$720 were allocated to the Motor Vehicle License Tax Fund instead of the Permissive Motor Vehicle License Tax Fund.

Adjustments were recorded in the accompanying financial statements and the Township's accounting records.

We recommend Township officials review statements and accounting records to ensure restricted use monies are recorded in the funds established for the particular purpose of the restriction.

Officials' Response:

We did not receive a response from Officials to these findings.

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Dave Yost • 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 13, 2015**