



OHIO AUDITOR OF STATE
KEITH FABER



OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Royalton Township
Fulton County
106 Eagle Rd
PO Box 302
Lyons, Ohio 43533

We have performed the procedures enumerated below on Royalton Township's (the Township) receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2020 and 2019 and certain compliance requirements related to those transactions and balances, included in the information provided to us by the management of the Township. The Township is responsible for the receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2020 and 2019 and certain compliance requirements related to these transactions and balances included in the information provided to us by the Township.

The Board of Trustees and the management of the Township have agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of providing assistance in the evaluation of the Township's receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2020 and 2019, and certain compliance requirements related to these transactions and balances. No other party acknowledged the appropriateness of the procedures. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of the report and may not meet the needs of all users of the report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. The sufficiency of the procedures is solely the responsibility of the parties specified in the 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.

For the purposes of performing these procedures, this report only describes exceptions exceeding \$10.

The procedures and the associated findings are as follows:

Cash

1. We recalculated the December 31, 2020 and December 31, 2019 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2019 beginning fund balances for each fund recorded in the Fund Status Report to the December 31, 2018 balances in the prior year documentation in the prior year Agreed-Upon Procedures working papers. We found no exceptions. We also agreed the January 1, 2020 beginning fund balances for each fund recorded in the Fund Status Report to the December 31, 2019 balances in the Fund Status Report. We found no exceptions.

Cash (Continued)

3. We agreed the totals per the bank reconciliations to the total of the December 31, 2020 and 2019 fund cash balances reported in the Fund Status Report and the financial statements filed by the Township in the Hinkle System. The amounts agreed.
4. We confirmed the December 31, 2020 bank account balance with the Township's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2020 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) from the December 31, 2020 bank reconciliation:
 - a. We traced each debit to the subsequent January and February bank statement. We found no exceptions.
 - b. We traced the amounts and dates to the check register, and determined the debits were dated prior to December 31. There were no exceptions.
6. We inspected the Fund Balance Adjustment Listing to determine whether the Findings For Adjustment identified in the prior agreed-upon procedures report, due from the General Fund payable to the Gasoline Tax fund in the amount of \$1,381.84, General Fund to Special Fire Levy Fund for \$1,073.30, and Cemetery Fund to Motor Vehicle License Tax Fund for \$154.78, were properly posted to the ledgers and reflected in the fund balances in Procedure 2. We found no exceptions.

Property Taxes, Intergovernmental and Other Confirmable Cash Receipts

1. We selected a total of five receipts from the *Statement of Semiannual Apportionment of Taxes*, State Distribution Transaction Lists (DTL), and the County Auditor Audit Trail by Vendor Report for 2020 and a total of five from 2019:
 - a. We compared the amount from the above named report to the amount recorded in the Receipt Detail Report. The amounts agreed.
 - b. We inspected the Receipt Detail Report to determine these receipts were allocated to the proper funds as required by Ohio Rev. Code §§ 5705.05-.06 and 5705.10. We found no exceptions.
 - c. We inspected the Receipt Detail Report to determine whether the receipt was recorded in the proper year. The receipt was recorded in the proper year. We found no exceptions.
2. We inspected the Receipt Detail Report to determine whether it included two real estate tax receipts for 2020 and 2019. The Receipt Detail Report included the proper number of tax receipts for each year.

Other Receipts

We selected 10 other receipts from the year ended December 31, 2020 and:

- a. Agreed the receipt amount recorded in the Receipt Detail Report to supporting documentation. The amounts agreed.
- b. Confirmed the amounts charged complied with rates in force during the period. We found no exceptions.
- c. Inspected the Receipt Detail Report to determine the receipt was posted to the proper funds, and was recorded in the proper year. We found no exceptions.

Debt

1. From the prior agreed-upon procedures documentation, we observed the following loan was outstanding as of December 31, 2018. This amount agreed to the Townships January 1, 2019 balances on the summary we used in procedure 3.

Issue	Principal outstanding as of December 31, 2018:
Ohio Public Works Commission Cap Project Loan	\$2,857

2. We inquired of management, and inspected the Receipt Detail Report and Payment Register Detail Report for evidence of debt issued during 2020 or 2019 or debt payment activity during 2020 or 2019. All debt agreed to the summary we used in procedure 3.
3. We obtained a summary of the loan debt activity for 2019 and agreed principal payments from the related debt amortization schedule to Road and Bridge fund payments reported in the Payment Register Detail Report. We also compared the date the debt service payments were due to the date the Township made the payments. We found no exceptions, except the payment due on January 1, 2019 was not paid by the Township until January 21, 2019.

Payroll Cash Disbursements

1. We selected one payroll check for five employees from 2020 and one payroll check for five employees from 2019 from the Manual Payroll Ledger and:
 - a. We compared the hours and pay rate, or salary recorded in the manual payroll ledger to supporting documentation (timecard, legislatively or statutorily-approved rate or salary).
 - i. We inquired of management about the existence of Retirement system, Federal, State & Local income tax withholding authorization.

The Township did not maintain withholding authorization forms for the employees tested so we were unable to use the forms to agree to the gross and net pay for the employees.

- b. We recomputed gross and net pay and agreed it to the amount recorded in the payroll register. We found no exceptions except check #19111 issued on December 21, 2020 for a performance bonus in the amount of \$500 did not have withholdings deducted from the total pay.

We inspected the manual payroll ledgers and found that the following payroll checks dated December 21, 2020 for performance bonuses did not have withholdings deducted from the total pay and the wages were not included on the employees' W-2s: check #19109 in the amount of \$250, check #19110 in the amount of \$250, and check #19111 in the amount of \$500. We found that the following payroll checks dated December 23, 2019 for performance bonuses did not have withholdings deducted from the total pay and the wages were not included on the employees' W-2s: check #18726 in the amount of \$250, check #18727 in the amount of \$250 and check #18728 in the amount of \$250.

26 C.F.R. § 1.6041-2(a)(1) states, in part, wages as defined in section 3401, paid to an employee are required to be reported on Form W-2.

26 U.S.C. § 3402(a)(1) requires, except, as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary.

Payroll Cash Disbursements (Continued)

26 U.S.C. § 3102(a) requires the tax imposed by Section 3101 to be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages as and when paid.

Ohio Rev. Code § 5747.06 states, in part, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748 of the Revised Code with respect to the amount of such compensation included in the employee's adjusted gross income during the calendar year.

Ohio Rev. Code § 145.01(R)(1) provides, in part, "earnable salary" means all salary, wages, and other earnings paid to a contributor by reason of employment in a position covered by the Ohio Public Employees Retirement System.

We will refer this matter to the Internal Revenue Service, the Ohio Department of Taxation, and the Ohio Public Employees Retirement System.

- c. We inspected the fund and account codes to which the check was posted to determine the posting was allowable based on the employees' duties as documented in the minute record and as required by statute. We found no exceptions.
 - d. We confirmed the payment was posted to the proper year. We found no exceptions.
2. We inspected the last remittance of tax and retirement withholdings for the year ended December 31, 2020 to confirm 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 2020. We observed the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare	January 31, 2021	January 5, 2021	\$851.16	\$851.16
Ohio income taxes	January 31, 2021	January 19, 2021	\$171.14	\$171.14
School District Income Tax	January 31, 2021	January 19, 2021	\$108.61	\$108.61
OPERS retirement	February 1, 2021	January 29, 2021	\$1,399.82	\$1,399.82

- 3. We compared total gross pay for the fiscal officer and each board member for 2020 and 2019 to the compensation permitted by Ohio Revised Code §§ 507.09 and 505.24, respectively. We found no exceptions.
- 4. We inquired of management and inspected the Payment Register Detail Report for the years ended December 31, 2020 and 2019 to determine if township employees and/or trustees were reimbursed for out-of-pocket insurance premiums. Insurance reimbursements made were in compliance with Ohio Rev. Code §§ 505.60, 505.601, 505.602 and 505.603 and federal regulations.

Payroll Cash Disbursements (Continued)

We observed the reimbursements were paid out of the Gasoline Tax Fund and the Motor Vehicle License Tax Fund instead of the General Fund that was used to pay the wages.

Ohio Rev. Code § 5705.10(I) states that money paid into any fund shall be used only for the purposes for which such fund is established.

In 2020, the Payment Register Detail Report showed that \$7,812 and \$1,531 in insurance reimbursements were paid from the Gasoline Tax and the Motor Vehicle License Tax funds, respectively; however, the insurance reimbursements should have been paid from the General fund in order to agree to the salary allocations.

The Fiscal Officer and Trustees were made aware of this error and adjusted the accounting records.

In addition, in 2020 Trustee Neil Shaw was overpaid \$201.40 for and insurance reimbursement. He repaid the Township on check #1281 dated August 30, 2021 for \$201.40. The repayment was posted to the General Fund with receipt #54-201 dated August 31, 2021 in the amount of \$201.40.

Non-Payroll Cash Disbursements

1. We selected 10 disbursements from the Payment Register Detail Report for the year ended December 31, 2020 and 10 from the year ended 2019 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 Payment Register Detail Report 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 § 5705.41(D). We found no exceptions.

Compliance – Budgetary

1. Ohio Rev. Code § 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total approved appropriations (Ohio Rev. Code §§ 5705.38 and 5705.40) plus any carryover appropriations for the years ended December 31, 2020 and 2019 for the General, Gasoline Tax and Special Levy Fire funds, as recorded in the Appropriation Status Report. There were no funds for which expenditures exceeded appropriations.
2. We inspected the Cash Summary by Fund Report for the years ended December 31, 2020 and 2019 for negative cash fund balances. Ohio Rev. Code § 5705.10 (I) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. No funds had a negative cash fund balances.

Sunshine Law Compliance

1. We inquired with Township management and determined that the Township did not have a public records policy during the engagement period as required by Ohio Rev. Code § 149.43(e)(2).

Ohio Rev. Code §149.43(E)(2) states, in part, that all public offices “shall adopt a public records policy in compliance with this section for responding to public records requests. In adopting a public records policy under this division, a public office may obtain guidance from the model public records policy developed and provided to the public office by the attorney general under section 109.43 of the Revised Code. The public office shall create a poster that describes its public records policy and shall post the poster in a conspicuous place in the public office and in all locations where the public office has branch offices.” The public office may post its public records policy on the internet web site of the public office if the public office maintains an internet web site.

2. We inquired with Township management and determined that the Township did not have any completed public records requests during the engagement period.
3. We inquired with Township management and determined that the Township did not have a records retention schedule during the engagement period and therefore could not make it readily available to the public as required by Ohio Rev. Code § 149.43(B)(2).

Ohio Rev. Code § 149.43(B)(2) requires “a public office to have available a copy of its current records retention schedule at a location readily available to the public.”

4. We inquired with Township management and determined that the Township did not have a public records policy during the engagement period therefore could not provide it to the records custodian/manager as required by Ohio Rev. Code § 149.43(E)(2).
5. We inquired with Township management and determined that the Township did not have a public records policy during the engagement period therefore it could not be included in a policy manual as required by Ohio Rev. Code § 149.43(E)(2).
6. We inquired with Township management and determined that the Township did not have a public records policy during the engagement period therefore it could not be displayed in all the branches of the Township as required by Ohio Rev. Code § 149.43(E)(2).
7. We inquired with Township management and determined that the Township did not have any applications for record disposal submitted to the Records Commission during the engagement period.
8. We inspected individual training certificates and determined whether each elected official in accordance with Ohio Rev. Code § 149.43(E)(1) (or his/her designee) successfully attended a certified three-hour Public Records Training for each term of office as required by Ohio Rev. Code § 109.43(B). We found no exceptions.
9. We inspected the public notices for the public meetings held during the engagement period and determined the Township notified the general public and news media of when and where meetings during the engagement period were to be held as required by Ohio Rev. Code § 121.22(F). We found no exceptions.

Sunshine Law Compliance (Continued)

10. We inspected the minutes of public meetings during the engagement period in accordance with Ohio Rev. Code § 121.22(C) and determined whether they were:
 - a. Prepared – a file is created following the date of the meeting
 - b. Filed – placed with similar documents in an organized manner
 - c. Maintained - retained, at a minimum, for the engagement period
 - d. Open to public inspection – available for public viewing or request.We found no exceptions.

HB 481 / HB 614 Coronavirus Relief Fund (CRF) Compliance

1. We inquired of management and those charged with governance and documented how the Township decided to spend their CRF allocations and how the Township evaluated and documented their compliance with the CARES Act three-prong test. We then selected *all* non-payroll transactions and attempted to determine the Township:
 - a. Spent the CRF money (including additional distributions or redistributions) in accordance with use of funds requirements and
 - b. Maintained appropriate supporting documentation.

Two out of two (100%) of the expenditures tested, totaling \$57,820, were not in accordance with the use of funds requirements. These expenditures were to reimburse other funds for normal payroll expenditures that had already been budgeted by the Township. We brought this to the Fiscal Officer and Trustees attention. They corrected the appropriate fund balances and adjusted the money back to the CRF Fund.

We observed that all EMT/firefighters that were paid with CRF funds were provided with 1099s for 2020 and 2019, not W-2s due to the fact that the Township does not consider these individuals to be employees.

We will refer this matter to the Internal Revenue Service and the Ohio Public Employees Retirement System.

2. We inquired with management and inspected the Appropriation Ledgers Report to determine the local government did not have an unencumbered balance of money to pay back to the county treasurer. We found no exceptions.

Other Compliance

1. Ohio Rev. Code § 117.38 requires townships to file their financial information in the HINKLE system within 60 days after the close of the fiscal year. This statute also permits the Auditor of State to extend the deadline for filing a financial report and establish terms and conditions for any such extension. Auditor of State established policies regarding the filing of complete financial statements, as defined in AOS Bulletin 2015-007 in the Hinkle System. We confirmed the Township filed their complete financial statements, as defined by AOS Bulletin 2015-007 and Auditor of State established policy, within the allotted timeframe for the years ended December 31, 2020 and 2019 in the Hinkle system. There were no exceptions.
2. We inquired of the fiscal officer and inspected the Fiscal Integrity Act Portal (<http://www.ohioauditor.gov/fiscalintegrity/default.html>) to determine whether the fiscal officer obtained the training required by Ohio Rev. Code §§ 507.12 and 733.81. Fiscal Officer obtained the required training.

Other Compliance (Continued)

3. For all credit card accounts we obtained:
 - copies of existing internal control policies,
 - a list(s) of authorized users, and
 - a list of all credit card account transactions.
- a. We inspected the established policy obtained above and determined it is:
 - i. in compliance with the HB 312 statutory requirements, and
 - ii. implemented by the entity.We found no exceptions.
- b. We selected 1 credit card transaction from each credit card account for testing. For selected transactions we inspected documentation to determine that:
 - i. Use was by an authorized user within the guidelines established in the policy, and
 - ii. Each transaction was supported with original invoices and for a proper public purpose.We found no exceptions.
- c. We selected 3 credit card statements from each credit card account for testing. For selected statements we inspected documentation to determine that:
 - i. No unpaid beginning balance was carried forward to the current billing cycle,
 - ii. Ending statement balance was paid in full, and
 - iii. Statement contained no interest or late fees.We found no exceptions.

Related Party Transactions

1. We inquired with management and identified the following Related Party relationship:

Joseph Damman, Fiscal Officer for the Township, is also on the Board of Directors at Metamora State Bank, the bank that holds the Township's deposit accounts; however there were no transactions that would be considered related party transactions for the years ended December 31, 2020 and 2019.

We were engaged by the Township to perform this agreed-upon procedures engagement and conducted our engagement in accordance with the attestation standards established by the AICPA and the Comptroller General of the United States' *Government Auditing Standards*. We were not engaged to, and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Township's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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We are required to be independent of the Township and to meet our ethical responsibilities, in accordance with the ethical requirements established by the Comptroller General of the United States' *Government Auditing Standards* related to our agreed upon procedures engagement.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

December 14, 2021

OHIO AUDITOR OF STATE KEITH FABER



ROYALTON TOWNSHIP

FULTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/30/2021

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

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