



**ROYALTON TOWNSHIP  
FULTON COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2022-2021**



**ROYALTON TOWNSHIP  
FULTON COUNTY**

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**INDEPENDENT AUDITOR'S REPORT**

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

To the Board of Trustees:

***Report on the Audit of the Financial Statements***

***Unmodified and Adverse Opinions***

We have audited the financial statements of Royalton Township, Fulton County, Ohio (the Township), which comprises the cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

***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* section of our report, the accompanying financial statements 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, 2022 and 2021, or the changes in financial position thereof for the years then ended.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Township on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

July 17, 2023

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**Royalton Township**  
*Fulton County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2022*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$68,874	\$173,467	\$68,425	\$310,766
Charges for Services		454,934	11,077	466,011
Intergovernmental	27,417	216,188		243,605
Earnings on Investments	456	162		618
Miscellaneous	555	4,962	681	6,198
<i>Total Cash Receipts</i>	<u>97,302</u>	<u>849,713</u>	<u>80,183</u>	<u>1,027,198</u>
<b>Cash Disbursements</b>				
Current:				
General Government	41,144	128,257	546	169,947
Public Safety		399,730		399,730
Public Works		238,960		238,960
Health		21,470		21,470
Human Services		1		1
Capital Outlay		99,984	56,550	156,534
Debt Service:				
Principal Retirement		40,718		40,718
Interest and Fiscal Charges		1,532		1,532
<i>Total Cash Disbursements</i>	<u>41,144</u>	<u>930,652</u>	<u>57,096</u>	<u>1,028,892</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>56,158</u>	<u>(80,939)</u>	<u>23,087</u>	<u>(1,694)</u>
<b>Other Financing Receipts</b>				
Other Financing Sources	<u>1</u>	<u>10,000</u>		<u>10,001</u>
<i>Net Change in Fund Cash Balances</i>	56,159	(70,939)	23,087	8,307
<i>Fund Cash Balances, January 1</i>	<u>10,623</u>	<u>1,419,831</u>	<u>151,977</u>	<u>1,582,431</u>
<i>Fund Cash Balances, December 31</i>	<u>\$66,782</u>	<u>\$1,348,892</u>	<u>\$175,064</u>	<u>\$1,590,738</u>

*See accompanying notes to the basic financial statements*

**Royalton Township**  
*Fulton County*  
*Statement of Additions, Deductions*  
*and Changes in Fund Balance (Regulatory Cash Basis)*  
*Fiduciary Fund Type*  
*For the Year Ended December 31, 2022*

	<u>Fiduciary Fund Type</u>
	Private Purpose Trust
<b>Addition</b>	
Earnings on Investments	\$4
<i>Net Change in Fund Balance</i>	4
<i>Fund Cash Balance, January 1</i>	11,579
<i>Fund Cash Balance, December 31</i>	\$11,583

*See accompanying notes to the basic financial statements*

**Royalton Township**  
*Fulton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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**Note 1 - Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Royalton Township, Fulton County, Ohio (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. Fulton County funds all the costs of the emergency medical services under a contract with Royalton Township. Beginning in February 2022 Royalton Township hired Paramedics and EMTs to handle all medical emergencies.

***Public Entity Risk Pool***

The Township participates in a public entirety risk pool. Note 7 to the financial statements provide additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types and a statement of additions, deductions, and changes in fund balances (regulatory cash basis) fiduciary fund type which is organized on a fund type basis.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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:

***Special Road Levy Fund*** The special road levy fund accounts for and reports the funds received from a property tax levy for the maintenance and repair of roads within the Township.

***Ambulance & Emergency Medical Services Fund*** The ambulance & emergency medical services fund accounts for and reports the funds received from Fulton County under a five (5) year contract to provide ambulance and emergency medical services in the township and throughout the county when other departments need assistance.

***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 received tax revenues to assist the Township in maintaining the fire station building and purchasing firefighting equipment used to provide fire services to the township.

**Royalton Township**  
*Fulton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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**Fiduciary Funds** Fiduciary funds include private purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

The Township's private purpose trust fund accounts for programs to maintain designated cemetery gravesites.

***Basis of Accounting***

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 (C). 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 (C) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

**Encumbrances** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2022 budgetary activity appears in Note 3.

***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.

***Capital Assets***

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

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**Royalton Township**  
*Fulton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

**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:

**Nonspendable** The Township classifies assets as nonspendable when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

**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.

**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.

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

**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.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 10.

**Note 3 - Budgetary Activity**

Budgetary activity for the years ending December 31, 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$98,000	\$97,302	(\$698)
Special Revenue	853,627	859,713	6,086
Capital Projects	74,000	80,183	6,183
Fiduciary	1	4	3
Total	\$1,025,628	\$1,037,202	\$11,574

**Royalton Township**  
*Fulton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$108,426	\$42,401	\$66,025
Special Revenue	2,265,937	942,224	1,323,713
Capital Projects	225,974	57,096	168,878
Fiduciary	600		600
Total	\$2,600,937	\$1,041,721	\$1,559,216

**Note 4 – Deposits**

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township's deposit accounts are as follows

	2022
<b>Cash Management Pool:</b>	
Demand deposits	\$1,602,321

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2022, the Township is holding \$9,451 in unremitted employee payroll withholdings.

**Deposits**

Deposits are insured by the Federal Depository Insurance Corporation and letters of credit drawn on the Federal Home Loan Bank of Cincinnati.

**Note 5 - Property Taxes**

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

**Note 6 - Debt**

Debt outstanding at December 31, 2022 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$42,781	2%

**Royalton Township**  
*Fulton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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The Township issued general obligation notes to finance the purchase to repair the existing cemetery wall. The Township's taxing authority collateralized the bonds. There was no statutory authority for the Township to incur this type of debt.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	General Obligation Notes
2023	<u>\$42,781</u>

**Note 7 - Risk Management**

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA) (the Pool). The Pool assumes the risk of loss up to the limits of the Royalton Township policy. The Pool covers the following risks:

- General liability and casualty;
- Public official's liability;
- Cyber
- Law Enforcement liability
- Automobile Liability
- Property
- Equipment breakdown
- Vehicle.

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2021 (the latest information available):

	2021
Cash and investments	\$34,880,599
Actuarial liabilities	\$10,601,444

**Note 8- Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Township employees belong to the Ohio Pulic Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2022.

***Social Security***

Some Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

**Royalton Township**  
*Fulton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2022.

**Note 9 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2022.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

**Note 10 – Fund Balances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$1,258	\$11,572	\$12,830

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects funds are restricted, committed, or assigned. These restricted and committed amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.



**Royalton Township**  
*Fulton County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2021*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$63,894	\$176,661	\$32,514	\$273,069
Charges for Services		223,108	39,840	262,948
Intergovernmental	30,645	201,928		232,573
Earnings on Investments	319	75		394
Miscellaneous	2,246	14,447		16,693
<i>Total Cash Receipts</i>	<u>97,104</u>	<u>616,219</u>	<u>72,354</u>	<u>785,677</u>
<b>Cash Disbursements</b>				
Current:				
General Government	111,846	241,676	601	354,123
Public Safety		149,083		149,083
Public Works		45,861		45,861
Health		26,614		26,614
Human Services		57,821		57,821
Conservation-Recreation		98,200		98,200
Capital Outlay		20,381		20,381
Debt Service:				
Principal Retirement		16,500		16,500
Interest and Fiscal Charges		871		871
<i>Total Cash Disbursements</i>	<u>111,846</u>	<u>657,007</u>	<u>601</u>	<u>769,454</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(14,742)</u>	<u>(40,788)</u>	<u>71,753</u>	<u>16,223</u>
<b>Other Financing Receipts</b>				
Other Debt Proceeds		100,000		100,000
<i>Net Change in Fund Cash Balances</i>	(14,742)	59,212	71,753	116,223
<i>Fund Cash Balances, January 1</i>	<u>25,365</u>	<u>1,360,619</u>	<u>80,224</u>	<u>1,466,208</u>
<i>Fund Cash Balances, December 31</i>	<u>\$10,623</u>	<u>\$1,419,831</u>	<u>\$151,977</u>	<u>\$1,582,431</u>

*See accompanying notes to the basic financial statements*

**Royalton Township**  
*Fulton County*  
*Statement of Additions, Deductions*  
*and Changes in Fund Balance (Regulatory Cash Basis)*  
*Fiduciary Fund Type*  
*For the Year Ended December 31, 2021*

	<u>Fiduciary Fund Type</u>
	Private Purpose Trust
<b>Addition</b>	
Earnings on Investments	\$3
<i>Net Change in Fund Balance</i>	3
<i>Fund Cash Balance, January 1</i>	11,576
<i>Fund Cash Balance, December 31</i>	\$11,579

*See accompanying notes to the basic financial statements*

**Royalton Township**  
*Fulton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 1 - Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Royalton Township, Fulton County, Ohio (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. Fulton County funds all the costs of the emergency medical services under a contract with Royalton Township.

***Public Entity Risk Pool***

The Township participates in a public entirety risk pool. Note 7 to the financial statements provide additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types and a statement of additions, deductions, and changes in fund balances (regulatory cash basis) fiduciary fund type which is organized on a fund type basis.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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:

***Special Road Levy Fund*** The special road levy fund accounts for and reports the funds received from a property tax levy for maintenance and repair of roads within the Township.

***Cemetery Maintenance and Operating Fund*** The cemetery maintenance and operation fund accounts for and reports the funds received from a property tax levy for the maintenance of the two cemeteries within the township.

***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 funds:

***Fire Capital Equipment Fund*** This fund received tax revenues to assist the Township in maintaining the fire station building and purchasing firefighting equipment used to provide fire services to the township.

**Royalton Township**  
*Fulton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Fiduciary Funds** Fiduciary funds include private purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

The Township's private purpose trust fund accounts for programs to maintain designated cemetery gravesites.

***Basis of Accounting***

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.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

**Encumbrances** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2021 budgetary activity appears in Note 3.

***Deposit 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.

***Capital Assets***

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

**Royalton Township**  
*Fulton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

**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:

**Nonspendable** The Township classifies assets as nonspendable when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

**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.

**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.

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

**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.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 10.

**Note 3 - Budgetary Activity**

Budgetary activity for the years ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$92,429	\$97,104	\$4,675
Special Revenue	731,411	716,219	(15,192)
Capital Projects	31,986	72,354	40,368
Fiduciary	6	3	(3)
Total	\$855,832	\$885,680	\$29,848

**Royalton Township**  
*Fulton County*  
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*For the Year Ended December 31, 2021*

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$127,128	\$111,846	\$15,282
Special Revenue	2,022,966	829,982	1,192,984
Capital Projects	112,018	601	111,417
Fiduciary	1,580		1,580
Total	\$2,263,692	\$942,429	\$1,321,263

**Note 4 - Deposits**

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township's deposit accounts are as follows

	2021
<b>Cash Management Pool:</b>	
Demand deposits	\$1,594,010

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2022, the Township is holding \$1,923 in unremitted employee payroll withholdings.

**Deposits**

Deposits are insured by the Federal Depository Insurance Corporation and letters of credit drawn on the Federal Home Loan Bank of Cincinnati.

**Note 5 - Property Taxes**

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

**Note 6 - Debt**

Debt outstanding at December 31, 2021 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$83,500	2%

The Township issued general obligation notes to finance the purchase to repair the existing cemetery wall. The Township's taxing authority collateralized the bonds. There was no statutory authority for the Township to incur this type of debt.

**Royalton Township**  
*Fulton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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Amortization of the above debt is scheduled as follows:

Year ending December 31:	General Obligation Notes
2022	\$40,719
2023	42,781
Total	\$83,500

**Note 7 - Risk Management**

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA) (the Pool). The Pool assumes the risk of loss up to the limits of the Royalton Township policy. The Pool covers the following risks:

- General liability and casualty;
- Public official's liability;
- Cyber
- Law Enforcement liability
- Automobile Liability
- Property
- Equipment breakdown
- Vehicle.

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2021:

	2021
Cash and investments	\$34,880,599
Actuarial liabilities	\$10,601,444

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Township 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2022.

***Social Security***

Some Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2022.

**Royalton Township**  
*Fulton County*  
*Notes to the Financial Statements*  
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**Note 9 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2022.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

**Note 10 – Fund Balances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

<u>Fund Balances</u>	<u>Special Revenue</u>
Outstanding Encumbrances	<u>\$172,975</u>

The fund balance of special revenue funds is either restricted or committed. These restricted and committed amounts in the special revenue would including the outstanding encumbrances.



# OHIO AUDITOR OF STATE KEITH FABER



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

## 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 Road, P.O. Box 302  
Lyons, Ohio 43533-0302

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements of Royalton Township, Fulton County, Ohio, (the Township) and have issued our report thereon dated July 17, 2023, wherein we noted the Township followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit.

### ***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2022-001 that we consider to be a material weakness.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2022-002.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

July 17, 2023

**ROYALTON TOWNSHIP  
FULTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2022 AND 2021**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2022-001**

**Material Weakness – Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16. We identified the following errors for the fiscal years ended December 31 2022 and 2021:

- Homestead and rollback receipts in the amounts of \$8,625 were incorrectly recorded as property and other local taxes rather than as intergovernmental receipts in the General fund in 2021.
- The Cemetery Jones Bequest fund was reported as a permanent fund in 2022 and 2021. According to the provisions of Governmental Accounting Standards Statement No. 84 – Fiduciary Activities, this should be reported as a private purpose trust fund on a statement of additions, deductions, and changes in fund balances for fiduciary funds. The following amounts were adjusted from the Permanent Fund to a Private Purpose Trust Fund.

	<u>2022</u>	<u>2021</u>
Earnings on Investments	<u>\$4</u>	<u>\$3</u>
Beginning Fund Balance	<u>11,579</u>	<u>11,576</u>
Ending Fund Balance	<u><u>\$11,583</u></u>	<u><u>\$11,579</u></u>

These errors were not identified and corrected prior to the Township preparing its financial statements due to deficiencies in the Township’s internal controls over monitoring of financial reporting. The accompanying financial statements have been adjusted to correct these errors. Failing to complete accurate financial statements could lead the Board of Trustees to making misinformed decisions. In addition to the adjustments noted above, we also identified additional misstatements ranging from \$791 to \$6,261 that we have brought to the Township’s attention.

The Township should adopt policies and procedures over monitoring of financial reporting, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and the Board of Trustees, to help identify and correct errors and omissions.

**FINDING NUMBER 2022-002**

**Noncompliance**

**Ohio Rev. Code Chapter 133 and 505** authorizes certain methods by which Townships may incur debt.

**Ohio Rev. Code § 133.22**, permits a subdivision to issue anticipatory-securities if it meets the requirements outlined in the statute.

**Ohio Rev. Code § 133.10** permits a subdivision to issue anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision.

**Ohio Rev. Code § 133.15**, a subdivision is authorized to issue securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct.

**Ohio Rev. Code § 133.18**, the taxing authority of a subdivision, may by legislation submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue. **Ohio Rev. Code § 505.262** which allows the board of township trustees to issue securities for the construction of buildings.

During 2022 and 2021, the Township made principal payments on outstanding general obligation notes in the amount of \$40,719 and \$16,500, respectively. The note was used by the Township to finance the cemetery wall repair.

This type of debt is not authorized in Ohio Rev. Code Chapter 133. The Township had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions. Inadequate policies and procedures related to debt issuance can result in illegal expenditures by the Township.

The Township should consult with legal counsel before incurring debt to determine if the debt is authorized by statute.

**Officials' Response:**

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

# 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 8/1/2023**

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](http://www.ohioauditor.gov)