



**Auditor of State
Betty Montgomery**

ROYALTON TOWNSHIP
FULTON COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Royalton Township, Fulton County, (the Township) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Royalton Township
Fulton County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of management, the Board, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 28, 2003

**ROYALTON TOWNSHIP
FULTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Local Taxes	\$39,203	\$68,252	\$27,053		\$134,508
Intergovernmental	69,824	72,670	2,763		145,257
Charges for Services		63,738	491		64,229
Licenses, Permits, and Fees		250			250
Earnings on Investments	8,458	1,895	2,312	\$264	12,929
Other Revenue		1,125			1,125
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	117,485	207,930	32,619	264	358,298
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:					
Current:					
General Government	91,523	25,356	550		117,429
Public Safety		12,997			12,997
Public Works		76,925			76,925
Health	24,577	10,557			35,134
Miscellaneous				400	400
Debt Service:					
Redemption of Principal		6,800			6,800
Interest and Fiscal Charges		1,052			1,052
Capital Outlay			13,975		13,975
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	116,100	133,687	14,525	400	264,712
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/ (Under) Cash Disbursements	1,385	74,243	18,094	(136)	93,586
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Receipts:					
Other Sources		700			700
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts		700			700
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	1,385	74,943	18,094	(136)	94,286
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	172,070	116,752	110,146	17,236	416,204
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$173,455</u>	<u>\$191,695</u>	<u>\$128,240</u>	<u>\$17,100</u>	<u>\$510,490</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

**ROYALTON TOWNSHIP
FULTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Local Taxes	\$35,831	\$68,628	\$27,337		\$131,796
Intergovernmental	71,624	66,159	2,704		140,487
Charges for Services		442	6,322		6,764
Earnings on Investments	1,869	822	642	\$507	3,840
Other Revenue	18,058	4,568			22,626
Total Cash Receipts	<u>127,382</u>	<u>140,619</u>	<u>37,005</u>	<u>507</u>	<u>305,513</u>
Cash Disbursements:					
Current:					
General Government	111,600	39,155	321		151,076
Public Safety		811			811
Public Works		98,750			98,750
Health	1,608	13,402			15,010
Miscellaneous				315	315
Total Cash Disbursements	<u>113,208</u>	<u>152,118</u>	<u>321</u>	<u>315</u>	<u>265,962</u>
Total Cash Receipts Over/ (Under) Cash Disbursements	<u>14,174</u>	<u>(11,499)</u>	<u>36,684</u>	<u>192</u>	<u>39,551</u>
Other Financing Receipts:					
Proceeds from Sale of Public Debt:					
Sale of Notes		21,423			21,423
Other Sources		1,810			1,810
Total Other Financing Receipts		<u>23,233</u>			<u>23,233</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	14,174	11,734	36,684	192	62,784
Fund Cash Balances, January 1	157,896	105,018	73,462	17,044	353,420
Fund Cash Balances, December 31	<u><u>\$172,070</u></u>	<u><u>\$116,752</u></u>	<u><u>\$110,146</u></u>	<u><u>\$17,236</u></u>	<u><u>\$416,204</u></u>
Reserve for Encumbrances, December 31	<u>\$21,105</u>	<u>\$4,660</u>			<u>\$25,765</u>

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

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Royalton Township, Fulton County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash

Certificates of deposit are valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash that is restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. 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.

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

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

Special Fire Levy Fund – This fund receives special levy tax revenue and provides fire services for the Township

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

Capital Equipment Fund – This fund receives tax revenues and charges for fire services to assist the Township in purchasing fire equipment used to provide fire services for the Township.

4. Fiduciary Funds (Trust and Agency Funds)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

Jones Cemetery Bequest Fund – This fund is used to account for a non-expendable trust. Interest earned is used for cemetery maintenance.

E. Budgetary Process

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

1. Appropriations

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

2. 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 also approve estimated resources.

3. Encumbrances

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	2002	2001
Demand deposits	\$510,490	\$350,867
Certificates of deposit		65,337
Total deposits	\$510,490	\$416,204

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$119,052	\$117,485	(\$1,567)
Special Revenue	238,059	208,630	(29,429)
Capital Projects	40,335	32,619	(7,716)
Fiduciary	714	264	(450)
Total	\$398,160	\$358,998	(\$39,162)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$191,122	\$116,100	\$75,022
Special Revenue	356,218	133,687	222,531
Capital Projects	149,900	14,525	135,375
Fiduciary	400	400	
Total	\$697,640	\$264,712	\$432,928

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$95,000	\$127,382	\$32,382
Special Revenue	174,014	163,852	(10,162)
Capital Projects	30,351	37,005	6,654
Fiduciary	850	507	(343)
Total	<u>\$300,215</u>	<u>\$328,746</u>	<u>\$28,531</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$193,226	\$134,313	\$58,913
Special Revenue	290,710	156,778	133,932
Capital Projects	96,000	321	95,679
Fiduciary	17,800	315	17,485
Total	<u>\$597,736</u>	<u>\$291,727</u>	<u>\$306,009</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

General Obligation Notes	<u>Principal</u>	<u>Interest Rate</u>
	<u>\$14,623</u>	5.45%

The general obligation note was issued to finance the purchase of a new John Deere Tractor to be used for Township road maintenance. The note is collateralized solely by the Township's taxing authority.

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

Year ending December 31:	General Obligation Note
2003	\$7,889
2004	6,734
Total	\$14,623

6. RETIREMENT SYSTEMS

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Risk Pool Membership

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$1,000,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, the Travelers Indemnity Company provides coverage in excess of \$10,000.

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

Financial Position

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

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	9,379,003	8,924,977
Retained Earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>

<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	647,667	497,831
Retained Earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Trustees:

We have audited the accompanying financial statements of Royalton Township, Fulton County, (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 28, 2003. We conducted our audits in accordance with 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.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 28, 2003.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 28, 2003.

Royalton Township
Fulton County
Independent Accountants' Report on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 28, 2003

**ROYALTON TOWNSHIP
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 2000 AND 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40126-001	Ohio Revised Code § 5705.41(D) failure to certify funds, exceeding Then and Now certification thresholds	Yes	



**Auditor of State
Betty Montgomery**

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ROYALTON TOWNSHIP

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 1, 2003**