



**Auditor of State
Betty Montgomery**

**KINGSTON TOWNSHIP
DELAWARE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Kingston Township
Delaware County
4680 Blue Church Road
Sunbury, Ohio 43074

To the Board of Trustees:

We have audited the accompanying financial statements of Kingston Township, Delaware County, Ohio, (the Township) as of and for the years ended December 31, 2002, and December 31, 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 audit.

We conducted our audit 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 audit 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 December 31, 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 June 27, 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 audit.

Kingston Township
Delaware County
Independent Accountants' Report
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This report is intended solely for the information and use of management, the Board of Trustees, 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

June 27, 2003

**KINGSTON TOWNSHIP
DELAWARE 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 Fund</u>	
Cash Receipts:					
Local Taxes	\$70,792	\$0	\$0	\$0	\$70,792
Intergovernmental	62,500	70,814	0	0	133,314
Licenses, Permits, and Fees	24,734	16,278	0	0	41,012
Earnings on Investments	2,628	985	0	0	3,613
Other Revenue	800	300	0	0	1,100
Total Cash Receipts	<u>161,454</u>	<u>88,377</u>	<u>0</u>	<u>0</u>	<u>249,831</u>
Cash Disbursements:					
Current:					
General Government	160,512	8,024	0	0	168,536
Public Works	97,703	4,097	0	0	101,800
Health	4,426	0	0	0	4,426
Debt Service:					
Redemption of Principal	0	44,718	0	0	44,718
Total Cash Disbursements	<u>262,641</u>	<u>56,839</u>	<u>0</u>	<u>0</u>	<u>319,480</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(101,187)</u>	<u>31,538</u>	<u>0</u>	<u>0</u>	<u>(69,649)</u>
Other Financing Receipts:					
Sale of Fixed Assets	65,248	0	0	0	65,248
Total Other Financing Receipts	<u>65,248</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>65,248</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(35,939)</u>	<u>31,538</u>	<u>0</u>	<u>0</u>	<u>(4,401)</u>
Fund Cash Balances, January 1	<u>173,905</u>	<u>32,728</u>	<u>2,541</u>	<u>17</u>	<u>209,191</u>
Fund Cash Balances, December 31	<u><u>\$137,966</u></u>	<u><u>\$64,266</u></u>	<u><u>\$2,541</u></u>	<u><u>\$17</u></u>	<u><u>\$204,790</u></u>

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

**KINGSTON TOWNSHIP
DELAWARE 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 Fund</u>	
Cash Receipts:					
Local Taxes	\$70,089	\$0	\$0	\$0	\$70,089
Intergovernmental	55,233	62,687	57,376	0	175,296
Licenses, Permits, and Fees	800	1,050	0	0	1,850
Earnings on Investments	4,707	668	0	0	5,375
Other Revenue	1,221	600	0	0	1,821
Total Cash Receipts	<u>132,050</u>	<u>65,005</u>	<u>57,376</u>	<u>0</u>	<u>254,431</u>
Cash Disbursements:					
Current:					
General Government	76,935	7,225	0	0	84,160
Public Works	23,917	33,268	0	0	57,185
Health	2,080	0	0	0	2,080
Debt Service:					
Redemption of Principal	0	44,718	0	0	44,718
Capital Outlay	0	0	70,835	0	70,835
Total Cash Disbursements	<u>102,932</u>	<u>85,211</u>	<u>70,835</u>	<u>0</u>	<u>258,978</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>29,118</u>	<u>(20,206)</u>	<u>(13,459)</u>	<u>0</u>	<u>(4,547)</u>
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	3,300	0	0	0	3,300
Transfers-In	0	0	16,000	0	16,000
Transfers-Out	(16,000)	0	0	0	(16,000)
Total Other Financing Receipts/(Disbursements)	<u>(12,700)</u>	<u>0</u>	<u>16,000</u>	<u>0</u>	<u>3,300</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>16,418</u>	<u>(20,206)</u>	<u>2,541</u>	<u>0</u>	<u>(1,247)</u>
Fund Cash Balances, January 1	<u>157,487</u>	<u>52,934</u>	<u>0</u>	<u>17</u>	<u>210,438</u>
Fund Cash Balances, December 31	<u>\$173,905</u>	<u>\$32,728</u>	<u>\$2,541</u>	<u>\$17</u>	<u>\$209,191</u>
Reserve for Encumbrances, December 31	<u>\$17,638</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$17,638</u>

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

**KINGSTON TOWNSHIP
DELAWARE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Kingston Township, Delaware County, Ohio, (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 and cemetery maintenance.

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 and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Money Market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

D. Fund Accounting

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

1. General Fund

The General Fund 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:

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax for constructing, maintaining and repairing Township roads.

**KINGSTON TOWNSHIP
DELAWARE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant capital project fund:

Public Works Projects – The Township received a loan from the Ohio Public Works Commission (OPWC) to widen and resurface Township roads.

4. Agency Fund

This fund is used to account for resources for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

Unclaimed Money Fund – This fund accounts for old outstanding uncashed checks.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. The Township did not encumber all commitments required by Ohio Law.

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

**KINGSTON TOWNSHIP
DELAWARE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$67,109	\$73,791
Total deposits	67,109	73,791
STAR Ohio	137,681	135,400
Total investments	137,681	135,400
Total deposits and investments	\$204,790	\$209,191

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$123,581	\$226,702	\$103,121
Special Revenue	43,925	88,377	44,452
Capital Projects	284,850	0	(284,850)
Total	\$452,356	\$315,079	(\$137,277)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$292,681	\$262,641	\$30,040
Special Revenue	99,011	56,839	42,172
Capital Projects	287,391	0	287,391
Total	\$679,083	\$319,480	\$359,603

**KINGSTON TOWNSHIP
DELAWARE COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$121,299	\$135,350	\$14,051
Special Revenue	40,200	65,005	24,805
Capital Projects	89,200	73,376	(15,824)
Total	\$250,699	\$273,731	\$23,032

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$218,845	\$136,570	\$82,275
Special Revenue	97,492	85,211	12,281
Capital Projects	0	70,835	(70,835)
Total	\$316,337	\$292,616	\$23,721

The Township had expenditures in excess of appropriations at the legal level of control in the OPWC fund, the Zoning fund, and in the General fund.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payments, the first half is due December 31. The second half payment is due the following June 20.

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.

**KINGSTON TOWNSHIP
DELAWARE COUNTY**

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission, Kingston Repaving Project I	\$157,182	0%
Ohio Public Works Commission, Kingston Repaving Project II	111,126	0%
Total	\$268,308	

Both Ohio Public Works Commission loans were issued to finance improvements to the Township roads. The loans are collateralized by the Township's taxing authority.

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

	OPWC Kingston Repaving Project I	OPWC Kingston Repaving Project II
Year ending December 31:		
2003	\$26,197	\$18,521
2004	26,197	18,521
2005	26,197	18,521
2006	26,197	18,521
2007	26,197	18,521
Subsequent	26,197	18,521
Total	\$157,182	\$111,126

6. RETIREMENT SYSTEM

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS are cost-sharing, multiple-employer plans. These plans provide 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. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and 2002. The Township has paid all required contributions through December 31, 2002.

**KINGSTON TOWNSHIP
DELAWARE COUNTY**

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

7. RISK POOL MEMBERSHIP

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded.)

The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Township insures the following risks through this Plan:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Township also provides health insurance coverage to elected officials through a private carrier.



**Auditor of State
Betty Montgomery**

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

Kingston Township
Delaware County
4680 Blue Church Rd.
Sunbury, Ohio 43074

To the Board of Trustees:

We have audited the accompanying financial statements of Kingston Township, Delaware County, Ohio, (the Township) as of and for the years ended December 31, 2002, and December 31, 2001, and have issued our report thereon dated June 27, 2003. We conducted our audit 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 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 27, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 27, 2003.

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

This report is intended for the information and use of the 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

June 27, 2003

**KINGSTON TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2002-001
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Noncompliance Citation- Expenditures in Excess of Appropriations

Ohio Rev. Code Section 5705.41(B) states that no taxing unit is to expend funds unless it has been appropriated. The Township had the following expenditures in excess of their fund, function or object level of control:

For the year ending December 31, 2001

Fund/ Function/ Object	Appropriations	Expenditures	Difference
OPWC fund/Contract Services	\$0	\$70,835	(\$70,835)
Zoning fund/ All functions and objects	\$0	\$7,225	(\$7,225)

For the year ending December 31, 2002

Fund/ Function/ Object	Appropriations	Expenditures	Difference
General Fund/Accounting and Legal Fees	\$20,000	\$20,801	(\$801)

The Clerk should deny payment requests exceeding appropriations. The Clerk may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Finding Number	2002-002
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Noncompliance Citation- Fiscal Officer Certification of funds

Ohio Rev. Code Section 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance by the issuance of a regular purchase order or certificate, a blanket certificate, or a super blanket certificate. Blanket certificates can be issued for an amount not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months, and not extending beyond the end of the current fiscal year. A super blanket certificate may be issued for any amount from a specific line item appropriation account in a specific fund, for most recurring or reasonable predictable operating expenditures.

**KINGSTON TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

Noncompliance Citation- Fiscal Officer Certification of funds (Continued)

This section also provides two exceptions to the above requirements:

- A. If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Township may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate (a then and now certificate), if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees. On April 7th, 2003 the law increased from \$1,000 to \$3,000, the amount below which a fiscal officer (other than a county auditor) can authorize payment after-the-fact without the need for further action by the governing body of the political subdivision that enters into a contract or makes an order involving an expenditure of money without receiving the required certificate of available funds.

Eighteen percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were used. In addition, the disbursements paid in excess of appropriations described in Finding 2002-001 would not have occurred had the Clerk followed the requirements of this Section. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township funds being over expended or exceeding budgetary spending limitations, we recommend that the Township Clerk certify that the funds are or will be available prior to obligation by Township personnel. When prior certification is not possible, then and now certification should be utilized.



**Auditor of State
Betty Montgomery**

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KINGSTON TOWNSHIP

DELAWARE 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
SEPTEMBER 16, 2003**