

KINGSTON TOWNSHIP
DELAWARE COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011



Dave Yost • Auditor of State

Board of Trustees
Kingston Township
9899 State Route 521
Sunbury, Ohio 43074

We have reviewed the *Independent Auditors' Report* of Kingston Township, Delaware County, prepared by Holbrook & Manter, for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery

Ohio Revised Code § 505.601 states if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met.

(A) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium attributable to the coverage provided for them for insurance benefits described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.

(B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee, beyond which the township will not reimburse the officer or employee.

(C) That resolution states the specific benefits listed in division (A) of section 505.60 of the Revised Code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of the section 505.60 of the Revised Code.

Kingston Township Resolution 12-01-34, Reimbursement of Un-reimbursed Health Care Cost, provides authorization to reimburse the Trustees, Fiscal Officer, Zoning Inspector, Zoning Secretary, Road Superintendent for un-reimbursed Health Care Cost not to exceed \$3,500.00 per year.

Kingston Township Resolution 11-01-43 Reimbursement of Un-reimbursed Health Care Cost, provides authorization to reimburse the Trustees, Fiscal Officer, Zoning Inspector, and Zoning Secretary for un-reimbursed Health Care Cost not to exceed \$3,500.00 per year. Reimbursements are to comply with the IRS Health Medical Savings rules.

Contrary to Ohio Rev. Code Section 505.601, which only allows the township to reimburse for each out-of-pocket insurance policy premiums incurred, Township Resolutions 12-01-34 and 11-01-43 allowed officials to be reimbursed for “health care costs” in general. Pursuant to these resolutions, between 2011 and 2012 the Township reimbursed employees and officers a total of \$9,593 for “health care costs” incurred that were not related to out-of-pocket-premiums as summarized below.

2011

Name	Position	Amount of Health Care Costs Reimbursed by Township
Steven Volpe	Trustee	\$202
Greg Roy	Fiscal Officer	735
David Stites	Zoning Secretary	1,625
Douglas Crowl	Roads Maintenance Supervisor	3,483

2012

Name	Position	Amount of Health Care Costs Reimbursed by Township
William Shively	Trustee	\$681
David Stites	Zoning Secretary	1,875
Douglas Crowl	Roads Maintenance Supervisor	992

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Trustee, Steven Volpe and his bonding company, Ohio Plan Risk Management, Inc, jointly and severally, in the amount of \$202; Fiscal Officer, Greg Roy and his bonding company, Selective Insurance Company of America, jointly and severally, in the amount of \$735; Trustee, William Shively and his bonding company, Ohio Plan Risk Management, Inc., jointly and severally, in the amount of \$681; Zoning Secretary David Stites, in the amount of \$3,500; and Roads Maintenance Supervisor, Douglas Crowl, in the amount of \$4,475, and in favor of the Township’s General Fund in the amount of \$9,593.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of the expenditure. *Seward v. National Surety Corp*; 120 Ohio St. 47 (1929); 1980 Op. Atty. Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.re. *Village of Linndale v. Masten*, 18 Ohio St. 3d 228(1985). Public officials controlling public funds or property are secondary liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained for the persons who unlawfully obtained such funds or property, 1980 Op. Atty. Gen. No. 80-074.

Township Fiscal Officer Greg Roy supervised the accounts from which the improper payments were made. Accordingly, Greg Roy and his bonding company, Selective Insurance Company of America will be jointly and severally liable in the amount of \$8,858, and in favor of the Township's General Fund.

The following repayments have been received by the Township's General Fund:

- Steven Volpe repaid \$202 with check number 738.
- Greg Roy repaid \$735 with check number 1345.
- William Shively repaid \$681 with check number 1063.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Kingston Township is responsible for compliance with these laws and regulations.



Robert R. Hinkle, CPA, CGFM
Chief Deputy Auditor

April 25, 2014

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INDEPENDENT AUDITORS' REPORT

Kingston Township
Delaware County
9899 State Route 521
Sunbury, OH 43074

Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Kingston Township, Delaware County, (the Township) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Kingston Township, Delaware County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2011 Kingston Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Certified Public Accountants

December 23, 2013

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, 2012

	<u>Governmental Fund Types</u>				Total Memorandum Only
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Fund</u>	
CASH RECEIPTS:-					
Property tax and other local taxes	\$ 152,095	\$ 0	\$ 0	\$ 0	\$ 152,095
Licenses, permits, and fees	2,129	3,875	0	0	6,004
Intergovernmental receipts	31,474	100,548	0	0	132,022
Earnings on investments	641	412	0	0	1,053
Miscellaneous	26,207	1,209	0	0	27,416
Total cash receipts	212,546	106,044	0	0	318,590
CASH DISBURSEMENTS:-					
Current:-					
General government	126,616	8,173	0	0	134,789
Public safety	0	0	0	0	0
Public works	31,386	85,881	0	0	117,267
Health	482	454	0	0	936
Capital outlay	0	0	0	0	0
Total cash disbursements	158,484	94,508	0	0	252,992
Total receipts over (under) cash disbursements	54,062	11,536	0	0	65,598
Fund cash balances, January 1, 2012	382,891	313,443	2,541	17	698,892
Fund cash balances, December 31, 2012					
Nonspendable	0	69,633	0	0	69,633
Restricted	0	255,346	2,541	0	257,887
Assigned	0	0	0	17	17
Unassigned (Deficit)	436,953	0	0	0	436,953
Fund cash balances, December 31, 2012	\$ 436,953	\$ 324,979	\$ 2,541	\$ 17	\$ 764,490

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, 2011

	<u>Governmental Fund Types</u>				Total Memorandum Only
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Fund</u>	
CASH RECEIPTS:-					
Property tax and other local taxes	\$ 156,965	\$ 0	\$ 0	\$ 0	\$ 156,965
Licenses, permits, and fees	7,399	64,050	0	0	71,449
Intergovernmental receipts	33,383	101,144	0	0	134,527
Earnings on investments	548	368	0	0	916
Miscellaneous	2,022	425	0	0	2,447
Total cash receipts	200,317	165,987	0	0	366,304
CASH DISBURSEMENTS:-					
Current:-					
General government	136,687	13,021	0	0	149,708
Public safety	0	0	0	0	0
Public works	34,547	63,982	0	0	98,529
Health	23	93	0	0	116
Capital outlay	0	0	0	0	0
Total cash disbursements	171,257	77,096	0	0	248,353
Total receipts over (under) cash disbursements	29,060	88,891	0	0	117,951
Fund cash balances, January 1, 2011	353,831	224,552	2,541	17	580,941
Fund cash balances, December 31, 2011					
Nonspendable	0	72,917	0	0	72,917
Restricted	0	240,526	2,541	0	243,067
Assigned	0	0	0	17	17
Unassigned (Deficit)	382,891	0	0	0	382,891
Fund cash balances, December 31, 2011	\$ 382,891	\$ 313,443	\$ 2,541	\$ 17	\$ 698,892

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

**KINGSTON TOWNSHIP
DELAWARE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

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 general government services, including road and bridge maintenance and cemetery maintenance. The Township contracts with the Porter-Kingston Fire Department for fire services and the Delaware County Sheriff for police services.

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

Basis of Accounting - These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State of Ohio, 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 of Ohio.

Cash and Investments - The Township maintains an interest bearing checking account. 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.

The investment in Star Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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:

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.

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, maintain and repairing Township roads.

Gasoline Tax Fund

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

Capital Project Fund

This fund is 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).

**KINGSTON TOWNSHIP
DELAWARE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Fund Accounting - (continued)

Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other townships which are not available to support the Township's own programs.

Unclaimed Money Fund

This fund accounts for old outstanding un-cashed checks.

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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The Delaware County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances at year-end are canceled, and re-appropriated in the subsequent year.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

Fund Balance - Fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable- The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted- Fund balance is reported as 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- The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Township Trustees. Those committed amounts cannot be used for any other purpose unless the Township Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**KINGSTON TOWNSHIP
DELAWARE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Assigned- Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned- Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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.

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.

NOTE 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 and investments at December 31 was as follows:

	2012	2011
Demand deposits	\$ 625,804	\$ 560,312
StarOhio	138,686	138,580
Total deposits	\$ 764,490	\$ 698,892

Deposits - The Township's deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) 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.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE:-

The Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a governmental is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balance of the Township's funds.

KINGSTON TOWNSHIP
DELAWARE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 4 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2012 was as follows:

2012 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 197,595	\$ 212,546	\$ 14,951
Special Revenue	114,000	106,044	(7,956)
Capital Projects	0	0	0
Fiduciary Fund	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ <u>311,595</u>	\$ <u>318,590</u>	\$ <u>6,995</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 536,053	\$ 158,484	\$ 377,569
Special Revenue	467,726	94,508	373,218
Capital Projects	472	0	472
Fiduciary Fund	<u>17</u>	<u>0</u>	<u>17</u>
Total	\$ <u>1,004,268</u>	\$ <u>252,992</u>	\$ <u>751,276</u>

Contrary to Ohio law, appropriations exceeded estimated resources and actual resources within the Special Revenue Funds.

KINGSTON TOWNSHIP
DELAWARE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 4 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2011 was as follows:

2011 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 196,843	\$ 200,317	\$ 3,474
Special Revenue	159,000	165,987	6,987
Capital Projects	0	0	0
Fiduciary Fund	0	0	0
Total	\$ 355,843	\$ 366,304	\$ 10,461

2011 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 428,283	\$ 171,257	\$ 257,026
Special Revenue	374,631	77,096	297,535
Capital Projects	0	0	0
Fiduciary Fund	0	0	0
Total	\$ 802,914	\$ 248,353	\$ 554,561

**KINGSTON TOWNSHIP
DELAWARE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

NOTE 5 - 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 Delaware 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 Delaware 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.

Tangible personal property tax is being phased out.

NOTE 6 - RETIREMENT SYSTEMS:-

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This 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 2012 and 2011, OPERS members contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants' gross salaries for 2012 and 2011. The Township has paid all contributions required through December 31, 2012 and 2011.

NOTE 7 - RISK MANAGEMENT:-

Risk Pool Membership

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**KINGSTON TOWNSHIP
DELAWARE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

NOTE 7 - RISK MANAGEMENT:- (continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011e.

	<u>2011</u>	<u>2010</u>
Assets	\$ 13,100,381	\$ 12,501,280
Liabilities	<u>(6,687,193)</u>	<u>(5,328,761)</u>
Member's Equity	<u>\$ 6,413,188</u>	<u>\$ 7,172,519</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

NOTE 8 - LEASES:-

During 2012, the Township signed a lease agreement with a Tenant to occupy and use for agriculture purposes only the following described real estate situated in Kingston Township, the County of Delaware, State of Ohio: 144.5 acres except for buildings, pasture land and barn, and feedlots. Said Tenant is to have and hold the property, subject to the conditions and limitations mentioned in the agreement for the 2012, 2013, and 2014 crop years beginning the 15th day of April, 2012 and ending on December 31, 2014, or ten days after the crops are removed, whichever comes first. Lease is not subject to renewal unless specifically authorized by the Kingston Township Board of Trustees in writing.

For the occupancy and use of the real estate as described, the Tenant agrees to pay the Township a rent of \$25,898, being computed at \$216 per tillable acre. One half shall be due on or before April 15 and the remaining one-half of the annual rent is due and payable on or before November 15. The Township received \$25,898 and \$0 of lease payments during 2012 and 2011, respectively.

**KINGSTON TOWNSHIP
DELAWARE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

NOTE 9 - SUBSEQUENT EVENTS:-

Management has evaluated subsequent events through December 23, 2013, the date which financial statements were available to be issued.



**Independent Accountants' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by Government Auditing Standards**

Board of Trustees
Kingston Township
Delaware County

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States Government auditing standards, the financial statements of the Kingston Township, Delaware County, (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated December 23, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies in internal control. We consider finding 2012-04 to be a significant deficiency.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated December 23, 2013.

Compliance and Other Matters

As part of reasonably assuring whether Kingston Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect on the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-001, 2012-002, 2012-003 and 2012-005.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated December 23, 2013.

Entity's Response to Findings

Kingston Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit Kingston Township's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Certified Public Accountants

December 23, 2013

**KINGSTON TOWNSHIP
DELAWARE COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

Finding Number	2012-001
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Noncompliance Citation - Amending Certificates of Estimated Resources

Ohio Revised Code, Section 5705.36, allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the Fiscal Officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

During our compliance testing, we noted that the Township did not amend estimated resources as outlined above. We recommend that the Fiscal Officer monitor estimated resources throughout the year and obtain amendments from the county budget commission as necessary.

Officials' Response

The current Township Fiscal Officer is reviewing the Township's current policies and procedures regarding the monitoring of the appropriations and estimated resources to prevent this condition from occurring in the future. The Fiscal Officer will also implement a procedure to obtain approval by submitting the amended appropriations or estimated resources to the County as required.

Finding Number	2012-002
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Noncompliance Citation - Appropriations Exceeding Estimated Resources

Ohio Revised Code, Section 5705.39, states that the total appropriation from each fund should not exceed the total estimated revenue as certified by the county budget commission. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Township's appropriations exceeded estimated resources as of December 31, 2012, as outlined in Note 4 of the financial statements.

We recommend the Board of Trustees and Fiscal Officer periodically review the Township's appropriations versus certified estimated resources to identify and investigate any variances and to help monitor legal compliance. The Trustees should ensure that the Township has properly prepared and submitted all required budgetary documents to the county auditor. Also, each time appropriations are adopted or amended, the Township should ensure the certificate of the County Auditor is received indicating appropriations do not exceed certified resources.

Officials' Response

The current Township Fiscal Officer is reviewing the Township's current policies and procedures regarding the monitoring of the appropriations and estimated resources to prevent this condition from occurring in the future. The Fiscal Officer will also implement a procedure to obtain approval by submitting the amended appropriations or estimated resources with the County as required.

**KINGSTON TOWNSHIP
DELAWARE COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

Finding Number	2012-003
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Noncompliance Citation – Use of Purchase Orders

Ohio Rev. Code, Section 5705.41(D), prohibits a subdivision or taxing unit from making any contract or giving any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision’s fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” Certificate – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expenses. This certification is not to extend beyond the current year. No more than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Contrary to the above requirement, the availability of funds was not certified properly for 69% of the transactions tested for 2012 and 76% of the transactions tested for 2011. Failure to properly certify the availability of funds and encumber appropriations could result in overspending and negative cash balances.

**KINGSTON TOWNSHIP
DELAWARE COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

Finding Number	2012-003
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Noncompliance Citation – Use of Purchase Orders - (continued)

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments received prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible “then and now” certification should be used, however, “then and now” certifications should only be used in limited circumstances when prior certificate is not possible, and should not be used to avoid prior certification.

We recommend the Township personnel obtain the Fiscal Officer’s certification of the availability of funds prior to incurring the commitment. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation. We also recommend the Township establish a threshold for blanket certificates that may not be exceeded if they wish to begin issuing regular blanket certificates. In addition, we also recommend the Fiscal Officer prepare super blanket certificates under the guidelines noted above.

Officials’ Response

The Fiscal Officer will continue to monitor and attempt to correct moving forward with the utilization of “Then and Now” certificates or putting better safeguards on the certification of the expenditures prior to them taking place.

Finding Number	2012-004
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Significant Deficiency – Voided Checks

During expenditure testing, we noted several actual physical checks that were stamped voided but were not voided in the Township’s accounting system causing cash to be understated by \$5,298 on the unaudited financial statements. Cash was adjusted accordingly in the audited financial statements.

We recommend that the Fiscal Officer contact the Township’s software provider and determine how to void these checks in the accounting software so that the Township is working with accurate fund balances throughout the year to more accurately budget and plan the Township’s financial activities.

Officials’ Response

The Fiscal Officer will monitor voided checks and make sure they are voided in the proper manner within the UAN software.

**KINGSTON TOWNSHIP
DELAWARE COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

Finding Number	2012-005
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Noncompliance Citation – Health Insurance Reimbursements

During expenditure testing, we noted several expenditures that were for reimbursements to the employees or elected officials for out of pocket medical expenses that were for things other than medical premium reimbursements.

Kingston Township does not offer health insurance benefits under ORC 505.60, but rather provides reimbursements under ORC 505.601, which may only provide reimbursement for out of pocket premiums.

The language in the Ohio Revised Code Section specifically states:

If a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the appropriate conditions are met.

Under this statute, it does not allow for reimbursement of any expenditure such as co-pays and deductibles. Any expenditure other than that of premium payments made for the insurance plan would be considered an inappropriate expenditure.

We recommend that the Board obtain legal assistance for an understanding of how to handle the insurance reimbursements properly in the future.

Officials' Response

During 2013, the Fiscal Officer received a legal opinion from the County Prosecutor stating to only reimburse for premium payments. When this opinion was received, the Fiscal Officer provided it to the Trustees and the necessary changes were made to only reimburse for premium payments.

**KINGSTON TOWNSHIP
DELAWARE COUNTY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-001	Non-Compliance - Ohio Rev. Code Section 5705.36 Amending certificates of estimated resources.	No	Reissued as finding 2012-001.
2010-002	Non-Compliance - Ohio Rev. Code Section 5705.39 Appropriations exceeding estimated resources.	No	Reissued as finding 2012-002.
2010-003	Non-Compliance - Ohio Rev. Code Section 5705.41(D) Use of purchase orders.	No	Reissued as finding 2012-003.
2010-004	Significant Deficiency - Internal control and review procedures.	Yes	Finding No Longer Valid.

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Dave Yost • Auditor of State

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
MAY 8, 2014**