



Dave Yost • Auditor of State



**KINGSTON TOWNSHIP  
DELAWARE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Kingston Township, Delaware County, (the Township) as of and for the years ended December 31, 2014 and 2013.

### ***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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 opinions.

### ***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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2014 and 2013, 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, 2014 and 2013, 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(D) permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 8, the Township restated the beginning fund balances to reclassify the Zoning Special Revenue Fund and Unclaimed Monies Fiduciary Fund to the General Fund. We did not modify our opinion regarding this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2016, 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 20, 2016

**KINGSTON TOWNSHIP  
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 132,489	\$ -	\$ -	\$ 132,489
Licenses, Permits and Fees	18,588	-	-	18,588
Intergovernmental	36,223	102,493	-	138,716
Earnings on Investments	1,025	468	-	1,493
Miscellaneous	31,791	788	-	32,579
<i>Total Cash Receipts</i>	<u>220,116</u>	<u>103,749</u>	<u>-</u>	<u>323,865</u>
<b>Cash Disbursements</b>				
Current:				
General Government	179,297	-	-	179,297
Public Works	38,116	148,465	-	186,581
Health	697	201	-	898
<i>Total Cash Disbursements</i>	<u>218,110</u>	<u>148,666</u>	<u>-</u>	<u>366,776</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,006</u>	<u>(44,917)</u>	<u>-</u>	<u>(42,911)</u>
<i>Fund Cash Balances, January 1</i>	<u>670,917</u>	<u>326,636</u>	<u>2,541</u>	<u>1,000,094</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	17	-	-	17
Restricted	-	281,719	2,541	284,260
Assigned	68,535	-	-	68,535
Unassigned	604,371	-	-	604,371
<i>Fund Cash Balances, December 31</i>	<u>\$ 672,923</u>	<u>\$ 281,719</u>	<u>\$ 2,541</u>	<u>\$ 957,183</u>

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

**KINGSTON TOWNSHIP  
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 134,392	\$ -	\$ -	\$ 134,392
Licenses, Permits and Fees	9,824	-	-	9,824
Intergovernmental	146,491	101,100	-	247,591
Earnings on Investments	830	419	-	1,249
Miscellaneous	29,285	1,640	-	30,925
<i>Total Cash Receipts</i>	<u>320,822</u>	<u>103,159</u>	<u>-</u>	<u>423,981</u>
<b>Cash Disbursements</b>				
Current:				
General Government	127,652	-	-	127,652
Public Works	27,602	32,893	-	60,495
Health	-	230	-	230
<i>Total Cash Disbursements</i>	<u>155,254</u>	<u>33,123</u>	<u>-</u>	<u>188,377</u>
<i>Excess of Receipts Over Disbursements</i>	165,568	70,036	-	235,604
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>505,349</u>	<u>256,600</u>	<u>2,541</u>	<u>764,490</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	17	-	-	17
Restricted	-	326,636	2,541	329,177
Assigned	626,559	-	-	626,559
Unassigned	44,341	-	-	44,341
<i>Fund Cash Balances, December 31</i>	<u>\$ 670,917</u>	<u>\$ 326,636</u>	<u>\$ 2,541</u>	<u>\$ 1,000,094</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, 2014 AND 2013**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Kingston Township, Delaware County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Porter-Kingston Joint Fire District for fire services and utilized the Delaware County Sheriff's Office to provide police services.

The Township participates in a public entity risk pool and a jointly governed organization. Notes 6 & 7 to the financial statements provide additional information for these entities.

Public Entity Risk Pool:

Ohio Plan Risk Management, Inc. (OPRM) – A public entity risk pool that jointly administered self-insurance risk management program and other administrative services to Ohio governments.

Jointly Governed Organization:

Porter-Kingston Joint Fire District – Porter Township and Kingston Township appoint one member to the Board of Trustees of the Porter-Kingston Joint Fire District.

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**KINGSTON TOWNSHIP  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

Motor Vehicle License Tax Fund – This fund receives motor vehicle license money to pay for construction, maintaining, and repairing Township Roads.

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**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 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.

**KINGSTON TOWNSHIP  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process (Continued)**

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Nonspendable**

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are 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.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**KINGSTON TOWNSHIP  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**G. Property, Plant, and Equipment**

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

**2. Equity in Pooled Deposits and Investments**

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

	2014	2013
Demand deposits	\$818,397	\$861,354
STAR Ohio	138,786	138,740
Total deposits and investments	\$957,183	\$1,000,094

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

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2014 and December 31, 2013 follows:

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$222,945	\$220,116	(\$2,829)
Special Revenue	98,000	103,749	5,749
Total	\$320,945	\$323,865	\$2,920

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$862,517	\$218,115	\$644,402
Special Revenue	458,166	148,666	309,500
Capital Projects	472	0	472
Total	\$1,321,155	\$366,781	\$954,374

**KINGSTON TOWNSHIP  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. Budgetary Activity (Continued)**

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$206,044	\$320,822	\$114,778
Special Revenue	102,650	103,159	509
Total	\$308,694	\$423,981	\$115,287

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$585,658	\$160,744	\$424,914
Special Revenue	342,109	34,000	308,109
Capital Projects	472	0	472
Total	\$928,239	\$194,744	\$733,495

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**5. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

**6. Risk Management**

**Risk Pool Membership**

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government 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.

**KINGSTON TOWNSHIP  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**6. Risk Management (Continued)**

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.

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 (and through October 2014) 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 774 and 783 members as of December 31, 2013 and 2014 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 conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	(7,968,395)	(8,942,504)
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**7. Jointly Governed Organization**

The Porter-Kingston Joint Fire District has a five-member Board of Trustees that governs the District. The Board consists of one board member that is appointed by each political subdivision with the District, one resident to be appointed by each political subdivision within the District, and one board member selected by the Porter-Kingston Firefighters Association. The District provides fire protection and rescue services within the District.

**KINGSTON TOWNSHIP  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**8. Restatement of Fund Balance**

The Township restated the Zoning Fund (Special Revenue) and Unclaimed Monies (Fiduciary) Fund beginning balances to properly include them within the General Fund.

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Fiduciary</b>	<b>Total Funds</b>
Fund Balance at					
December 31, 2012	\$ 436,953	\$ 324,979	\$ 2,541	\$ 17	\$ 764,490
Change in Fund Structure	68,396	(68,379)	-	(17)	-
Adjusted Fund Balance					
at December 31, 2012	<u>\$ 505,349</u>	<u>\$ 256,600</u>	<u>\$ 2,541</u>	<u>\$ -</u>	<u>\$ 764,490</u>

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

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 cash balances, receipts, and disbursements by fund type of Kingston Township, Delaware County, Ohio, (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated April 20, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit and the Township restated the beginning fund balances to reclassify the Zoning Special Revenue Fund and Unclaimed Monies Fiduciary Fund to the General Fund.

### ***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 opinions 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2014-001 and 2014-004 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the 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 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 or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-002 through 2014-004.

***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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 20, 2016

**KINGSTON TOWNSHIP  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Financial Reporting - Material Weakness**

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to help ensure information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments and reclassifications were made to the Township's financial statements and accounting records, where applicable, to properly reflect receipts and expenditures:

1. In 2014 and 2013, the Township posted rollback, estate tax, insurance overpayment reimbursements, and farm rental receipts as property and other local taxes. A reclassification was made to properly post \$20,136 to intergovernmental and \$13,946 to miscellaneous in 2014 and \$87,439 to intergovernmental and \$12,949 to miscellaneous in 2013.
2. In 2014 and 2013, the Township posted cable franchise fees as miscellaneous receipts. Reclassifications were made to properly post \$12,663 and \$2,174, respectively, to licenses, permits and fees.
3. The Township failed to post audit adjustments identified during previous audits to their accounting system. In 2014 and 2013, the beginning fund balance in the General Fund was increased by \$44,341, the beginning fund balance in the Special Revenue Funds was decreased by \$40,176, and the beginning fund balance in the Capital Projects Fund was increased by \$2,069.

Additionally, a reclassification was made to apply Governmental Accounting Standards Board Statement 54, an accounting standard that enhances the usefulness of fund balance information by providing clearer fund balance classification that can be more consistently applied.

1. In 2014 and 2013, the Township misclassified the General Fund balance of \$2,209 and \$557,503, respectively, as unassigned instead of assigned to account for subsequent appropriations exceeding estimated receipts in the General Fund.
2. In 2014 and 2013, the Township misclassified the unclaimed monies fund as an Agency Fund instead of including in the General Fund. Due to this, an adjustment was made to properly report the unclaimed monies fund balance of \$17 for both 2014 and 2013 as nonspendable in the General Fund.
3. In 2014 and 2013, the Zoning Fund financial activity was posted within the Special Revenue Fund instead of the General Fund as directed by GASB 54. Adjustments were made in 2014 to increase general government by \$8,955, licenses, permits & fees by \$5,525, and miscellaneous by \$300 in the General Fund and to decrease general government by \$8,955, licenses, permits & fees by \$5,525, miscellaneous by \$300 in the Special Revenue Fund. Adjustments were made in 2013 to increase general government by \$7,273, licenses, permits & fees by \$7,650, and miscellaneous by \$300 in the General Fund and to decrease general government by \$7,273, licenses, permits & fees by \$7,650, miscellaneous by \$300 in the Special Revenue Fund. In addition, the 2014 and 2013 beginning balances of the General Fund were increased by \$68,379 to account for the December 31, 2012 Zoning Fund balance that had been classified as a Special Revenue Fund.

KINGSTON TOWNSHIP  
DELAWARE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2014-001 (Continued)

Financial Reporting - Material Weakness (Continued)

By not properly classifying transactions and fund balances, inaccurate financial reports could be disseminated to the governing board and management, as well as, financial statement readers.

The audit adjustments and reclassifications identified above should be reviewed by the Fiscal Officer to prevent similar errors from being reported improperly on the financial statements in subsequent years. In addition, the Township Trustees should review the financial statements to identify and correct errors and omissions.

FINDING NUMBER 2014-002

Health Insurance Reimbursements - Finding For Recovery Repaid Under Audit

**Ohio Rev. Code §505.601** states that if a Board of Township Trustees does not procure an insurance policy or group health care services as provided in Ohio Rev. Code §505.60, 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 Ohio 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 to cover themselves and their immediate dependents, 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 section 505.60 of the Revised Code**.

The Board of Trustees approved **Resolution 14-01-34** which states Kingston Township has chosen not to procure a health care plan under **Section 505.60 of the Revised Code** and has chosen to reimburse its officers and employees (to include Trustees, Fiscal Officer, Zoning Inspector, Zoning Secretary, Road Superintendent, and their spouses) for each out-of-pocket premium that they incur for insurance policies described in **division (A) of section 505.60 of the Revised Code** that they otherwise obtain. The maximum yearly amount shall not exceed \$4,500 per year.

In 2014, Steve Volpe was reimbursed \$5,313 in health care premiums. This exceeded the \$4,500 maximum approved by the Board of Trustees. Therefore, Mr. Volpe was not eligible to receive the additional reimbursement of \$813.

**KINGSTON TOWNSHIP  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**FINDING NUMBER 2014-002 (Continued)**

**Health Insurance Reimbursement - Finding For Recovery Repaid Under Audit (Continued)**

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 Steve Volpe and his bonding company, the Ohio Plan Risk Management, Inc., and Greg Roy and his bonding company, Selective Insurance Company of America, jointly and severally, in the amount of \$813 and in favor of the Kingston Township's General Fund.

The Township received payments totaling \$813 (receipt #39-2016 and 40-2016) from Steve Volpe, which were receipted into the General Fund on April 30, 2016 and May 2, 2016, respectively.

**FINDING NUMBER 2014-003**

**Prior Certification of Expenditures - Material Noncompliance**

**Ohio Rev. Code §5705.41(D)(1)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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 section **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 ordinance or resolution.

Amounts of 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.

KINGSTON TOWNSHIP  
DELAWARE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2014-003 (Continued)

Prior Certification of Expenditures - Material Noncompliance (Continued)

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 expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Of the disbursements tested, 86.8% were not certified at the time the commitment was incurred and there was no evidence the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 help assure purchase commitments receive 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 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.

We recommend the Township certify all purchases to which **section 5705.41(D)** applies. 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 commitments to the proper appropriation code, to reduce the available appropriations.

**KINGSTON TOWNSHIP  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2014-004**

**Distribution of Revenue - Material Noncompliance & Material Weakness**

**Ohio Rev. Code §5705.10(D)** states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

In 2013, the Township posted a gasoline tax receipt to license permits & fees in the Zoning Fund. An adjustment was made to properly post \$7,384 as intergovernmental in the Gasoline Tax Fund.

The Fiscal Officer made the adjustment to the Township's records and the adjustments are reflected in the accompanying financial statements.

Failure to properly classify receipts amount funds results in accurate financial reports being disseminated to the Board of Trustees, as well as the financial statement users. We recommend the Fiscal Officer review current procedures and implement additional controls to help ensure receipts are properly posted to the correct funds.

**Officials' Response:**

We did not receive responses from Officials to these findings.

**KINGSTON TOWNSHIP  
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2012-001	Noncompliance Citation – Ohio Rev. Code § 5705.36 Amending Certificates of Estimated Resources	Yes	
2012-002	Noncompliance Citation – Ohio Rev. Code § 5705.39 Appropriations Exceeding Estimated Resources	No	Partially Corrected, Reissued in Management Letter
2012-003	Noncompliance Citation – Ohio Rev. Code § 5705.41(D) Use of Purchase Orders	No	Reissued as Finding 2014-003
2012-004	Significant Deficiency – Voided Checks	No	Reissued within Finding 2014-001
2012-005	Noncompliance Citation – Ohio Rev. Code § 505.601 Health Insurance Reimbursements	No	Repayment plan being collected by Township for outstanding balance of Finding 2012-005.  2014-002- Additional Ohio Revised Code § 505.601 Finding issued



# 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  
JUNE 16, 2016**