

KINGSTON TOWNSHIP
DELAWARE COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009



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, 2009 through December 31, 2010. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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.

A handwritten signature in black ink that reads "Robert R. Hinkle".

Robert R. Hinkle, CPA
Chief Deputy Auditor

September 22, 2011

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Kingston Township
Delaware County

We have audited the accompanying financial statements of Kingston Township, Delaware County, Ohio, (the Township) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State of Ohio prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

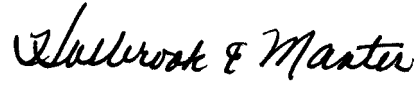
Instead of the combined funds the accompanying financial statements present for 2010 and 2009, GAAP requires presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately for 2010 and 2009. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require, townships to reformat their statements. The Township has elected not to follow the GAAP statement formatting requirement. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State of Ohio permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Kingston Township, Delaware County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2011 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Certified Public Accountants

July 6, 2011

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, 2010

	<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	\$ 153,475	\$ 0	\$ 0	\$ 0	\$ 153,475
Licenses, permits, and fees	5,890	4,250	0	0	10,140
Intergovernmental receipts	42,623	103,077	0	0	145,700
Earnings on investments	488	422	0	0	910
Miscellaneous	823	0	0	0	823
Total cash receipts	203,299	107,749	0	0	311,048
CASH DISBURSEMENTS:-					
Current:-					
General government	153,705	10,789	0	0	164,494
Public safety	0	0	0	0	0
Public works	21,152	135,401	0	0	156,553
Health	0	160	0	0	160
Capital outlay	0	0	0	0	0
Total cash disbursements	174,857	146,350	0	0	321,207
Total receipts over (under) cash disbursements	28,442	(38,601)	0	0	(10,159)
OTHER FINANCING RECEIPTS (DISBURSEMENTS):-					
Sale of fixed assets	2,548	0	0	0	2,548
Other financing uses	(175)	0	0	0	(175)
Total other financing receipts (disbursements)	2,373	0	0	0	2,373
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing sources	30,815	(38,601)	0	0	(7,786)
Fund cash balances, January 1, 2010	323,016	263,153	2,541	17	588,727
Fund cash balances, December 31, 2010	\$ 353,831	\$ 224,552	\$ 2,541	\$ 17	\$ 580,941

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, 2009

	<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	\$ 150,606	\$ 0	\$ 0	\$ 0	\$ 150,606
Licenses, permits, and fees	2,880	3,550	0	0	6,430
Intergovernmental receipts	36,852	101,762	0	0	138,614
Earnings on investments	562	573	0	0	1,135
Miscellaneous	261	0	0	0	261
Total cash receipts	191,161	105,885	0	0	297,046
CASH DISBURSEMENTS:-					
Current:-					
General government	150,678	10,838	0	0	161,516
Public safety	0	0	0	0	0
Public works	11,423	110,367	0	0	121,790
Health	233	4,520	0	0	4,753
Capital outlay	0	0	0	0	0
Total cash disbursements	162,334	125,725	0	0	288,059
Total receipts over (under) cash disbursements	28,827	(19,840)	0	0	8,987
OTHER FINANCING RECEIPTS (DISBURSEMENTS):-					
Sale of notes	0	0	0	0	0
Sale of fixed assets	0	0	0	0	0
Other financing uses	(529)	0	0	0	(529)
Total other financing receipts (disbursements)	(529)	0	0	0	(529)
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing sources	28,298	(19,840)	0	0	8,458
Fund cash balances, January 1, 2009	294,718	282,993	2,541	17	580,269
Fund cash balances, December 31, 2009	\$ 323,016	\$ 263,153	\$ 2,541	\$ 17	\$ 588,727

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

KINGSTON TOWNSHIP
DELAWARE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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, 2010 AND 2009**

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 2010 and 2009 budgetary activity appears in Note 3.

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.

**KINGSTON TOWNSHIP
DELAWARE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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:

	2010	2009
Demand deposits	\$ 442,438	\$ 450,374
StarOhio	138,503	138,353
Total deposits	\$ 580,941	\$ 588,727

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.

KINGSTON TOWNSHIP
DELAWARE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2010 was as follows:

2010 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 194,613	\$ 205,847	\$ 11,234
Special Revenue	104,700	107,749	3,049
Capital Projects	0	0	0
Fiduciary Fund	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ <u>299,313</u>	\$ <u>313,596</u>	\$ <u>14,283</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 479,425	\$ 175,032	\$ 304,393
Special Revenue	408,125	146,350	261,775
Capital Projects	0	0	0
Fiduciary Fund	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ <u>887,550</u>	\$ <u>321,382</u>	\$ <u>566,168</u>

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

**KINGSTON TOWNSHIP
DELAWARE COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2009 was as follows:

2009 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 194,359	\$ 191,161	\$ (3,198)
Special Revenue	90,500	105,885	15,385
Capital Projects	0	0	0
Fiduciary Fund	0	0	0
Total	\$ 284,859	\$ 297,046	\$ 12,187

2009 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 404,266	\$ 162,863	\$ 241,403
Special Revenue	408,484	125,725	282,759
Capital Projects	0	0	0
Fiduciary Fund	0	0	0
Total	\$ 812,750	\$ 288,588	\$ 524,162

Contrary to Ohio law, actual receipts were less than estimated resources during 2009 in the General Fund by \$3,198.

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

**KINGSTON TOWNSHIP
DELAWARE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

NOTE 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 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 5 - 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 2010 and 2009, OPERS members contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants' gross salaries for 2010 and 2009. The Township has paid all contributions required through December 31, 2010 and 2009.

**KINGSTON TOWNSHIP
DELAWARE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

NOTE 6 - RISK MANAGEMENT:-

Risk Pool Membership

Through December 31, 2010, the Township belonged to 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 was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

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 coverage's to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk Management ("OPRM"), 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 retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009, respectively. The Township participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009, respectively. The Township participates in this coverage.

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.

**KINGSTON TOWNSHIP
DELAWARE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

NOTE 6 - RISK MANAGEMENT:- (continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009.

	<u>2010 OPRM</u>	<u>2010 OPHC</u>	<u>2010 Total</u>	<u>2009 Total</u>
Assets	\$ 12,036,541	\$ 1,355,131	\$ 13,391,672	\$ 12,534,988
Liabilities	<u>(4,845,056)</u>	<u>(1,055,096)</u>	<u>(5,900,152)</u>	<u>(6,106,102)</u>
Member's Equity	<u>\$ 7,191,485</u>	<u>\$ 300,035</u>	<u>\$ 7,491,520</u>	<u>\$ 6,428,886</u>

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

NOTE 7 - SUBSEQUENT EVENTS:-

Management has evaluated subsequent events through July 6, 2011, 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 the financial statements of the Kingston Township, Delaware County, (the Township) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 6, 2011, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Kingston Township's internal control over financial reporting as a basis for designing our auditing procedures for expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Kingston Township's internal control over financial reporting.

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 a combination of deficiencies in internal control such that there is a reasonable possibility that a material financial statement misstatement will not be prevented, or detected and timely corrected.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we considered to be significant deficiencies in internal control over financial reporting as items 2010-001, 2010-002, and 2010-004. 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.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated July 6, 2011.

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 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 discussed in the Schedule of Findings as items 2010-001, 2010-002, and 2010-003.

We also noted certain noncompliance or other matters that we reported to the Government's management in a separate letter dated July 6, 2011.

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.

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

Shuller & Manton

Certified Public Accountants

July 6, 2011

**KINGSTON TOWNSHIP
DELAWARE COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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

Finding Number	2010-001
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Noncompliance Citation and Significant Deficiency – 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	2010-002
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Noncompliance Citation and Significant Deficiency – 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, 2010 and 2009, as outlined in Note 3 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, 2010 AND 2009**

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

Finding Number	2010-003
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Material 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 for 60% of the transactions tested for 2010 and 50% of the transactions tested for 2009. Failure to 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, 2010 AND 2009**

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

Finding Number	2010-003
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Material 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	2010-004
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Significant Deficiency – Internal Control and Review Procedures

Although the Trustees receive and review a limited number of reports from the Fiscal Officer of the Township for approval on a monthly basis, the Township has not established formal procedures to reasonably assure completeness and accuracy of the monthly reporting. During our testing and analysis, we noted that management overrode controls by voiding a check in the system and writing a manual check to cover the expense. This should have been reviewed and discussed by the Trustees during their review of monthly reports and bank statements.

The Trustees should make appropriate inquires and also review the bank statements and supporting documentation to help determine the integrity of the financial information. When performing such a review, the Trustees’ signatures or initials and the date should be affixed to the documents examined and it should be discussed at the board meetings and noted in the monthly minutes that the Trustees have thoroughly reviewed and approved those documents. In addition, we also recommend that the numerical check sequence between months and within the current month be reviewed and noted in the minutes and signed off of by the Trustees at each meeting.

Officials’ Response

The Fiscal Officer will continued to provide reports to the Township Trustees’, however, they will implement additional procedures each month to review for completeness and accuracy.

**KINGSTON TOWNSHIP
DELAWARE COUNTY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-001	Non-Compliance - Ohio Rev. Code Section 5705.41(D) failure to properly certify funds	No	Reissued as finding 2010-003.



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
OCTOBER 4, 2011**