



Dave Yost • Auditor of State

**KINGSVILLE TOWNSHIP
ASHTABULA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Kingsville Township
Ashtabula County
3651 Creek Road
Kingsville, Ohio 44048

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Kingsville Township, Ashtabula 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.

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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 year 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 Kingsville Township, Ashtabula 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 described in Note 1 of the financial statements, during 2011 Kingsville 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 September 25, 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.



Dave Yost
Auditor of State

Columbus, Ohio

September 25, 2013

**KINGSVILLE TOWNSHIP
ASHTABULA COUNTY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$85,549	\$237,192		\$322,741
Charges for Services		85,459		85,459
Licenses, Permits and Fees	12,258	6,430		18,688
Intergovernmental	31,298	152,376	\$12,500	196,174
Special Assessments		15,598		15,598
Earnings on Investments	15			15
Miscellaneous	3,378	5,380		8,758
<i>Total Cash Receipts</i>	<u>132,498</u>	<u>502,435</u>	<u>12,500</u>	<u>647,433</u>
Cash Disbursements				
Current:				
General Government	130,761			130,761
Public Safety		157,859		157,859
Public Works		182,020		182,020
Health		13,716		13,716
Conservation-Recreation	601			601
Capital Outlay	14,023	119,230	80,375	213,629
Debt Service:				
Principal Retirement		22,444		22,444
Interest and Fiscal Charges		3,637		3,637
<i>Total Cash Disbursements</i>	<u>145,385</u>	<u>498,906</u>	<u>80,375</u>	<u>724,666</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(12,887)</u>	<u>3,530</u>	<u>(67,875)</u>	<u>(77,233)</u>
Other Financing Receipts (Disbursements)				
Transfers In		10,000	12,000	22,000
Transfers Out	(22,000)			(22,000)
Advances In		20,000		20,000
Advances Out	(20,000)			(20,000)
Other Financing Sources		117,000		117,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(42,000)</u>	<u>147,000</u>	<u>12,000</u>	<u>117,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(54,887)</u>	<u>150,530</u>	<u>(55,875)</u>	<u>39,767</u>
<i>Fund Cash Balances, January 1</i>	<u>113,311</u>	<u>389,342</u>	<u>71,668</u>	<u>574,321</u>
Fund Cash Balances, December 31				
Restricted		539,872	15,793	555,665
Unassigned (Deficit)	58,424			58,424
<i>Fund Cash Balances, December 31</i>	<u>\$58,424</u>	<u>\$539,872</u>	<u>\$15,793</u>	<u>\$614,089</u>

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

**KINGSVILLE TOWNSHIP
ASHTABULA COUNTY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$93,780	\$190,319		\$284,100
Charges for Services		23,560		23,560
Licenses, Permits and Fees	12,788	4,509		17,297
Intergovernmental	26,605	149,779	\$85,491	261,874
Special Assessments		15,406		15,406
Earnings on Investments	29			29
Miscellaneous	11,350	6,800		18,150
<i>Total Cash Receipts</i>	<u>144,552</u>	<u>390,373</u>	<u>85,491</u>	<u>620,416</u>
Cash Disbursements				
Current:				
General Government	134,955			134,955
Public Safety		93,852		93,852
Public Works	12,360	179,813		192,172
Health		11,645		11,645
Conservation-Recreation	1,432			1,432
Other	1,839			1,839
Capital Outlay		8,980	98,823	107,802
Debt Service:				
Principal Retirement		12,564		12,564
Interest and Fiscal Charges		4,263		4,264
<i>Total Cash Disbursements</i>	<u>150,586</u>	<u>311,117</u>	<u>98,823</u>	<u>560,525</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,034)</u>	<u>79,256</u>	<u>(13,332)</u>	<u>59,890</u>
Other Financing Receipts (Disbursements)				
Transfers In		5,000	85,000	90,000
Transfers Out	(90,000)			(90,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(90,000)</u>	<u>5,000</u>	<u>85,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(96,034)</u>	<u>84,256</u>	<u>71,668</u>	<u>59,890</u>
<i>Fund Cash Balances, January 1 (restated-see Note 8)</i>	<u>209,345</u>	<u>305,087</u>		<u>514,432</u>
Fund Cash Balances, December 31				
Restricted		389,342	71,668	461,010
Unassigned (Deficit)	113,311			113,311
<i>Fund Cash Balances, December 31</i>	<u>\$113,311</u>	<u>\$389,342</u>	<u>\$71,668</u>	<u>\$574,321</u>

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

**KINGSVILLE TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 Kingsville Township, Ashtabula 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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Kingsville Volunteer Fire Department to provide fire and emergency medical services.

The Township participates in Ohio Township Risk Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provides additional information. This organization is:

Public Entity Risk Pool:

OTARMA is a member of the American Public Entities Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 Auditor of State prescribes or permits.

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.

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.

**KINGSVILLE TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

Fire Levy Fund – This fund receives property tax money for the purchase of emergency vehicles and equipment and to provide emergency services to residents.

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. The Township had the following significant capital project funds:

Issue II Fund - The Township received a grant from the State of Ohio to repair Green Road.

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. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**KINGSVILLE TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

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.

**KINGSVILLE TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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:

	2012	2011
Demand deposits	\$582,993	\$543,231
Certificates of deposit	31,096	31,090
Other time deposits (savings and NOW accounts)		
Total deposits	614,089	574,321

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and December 31, 2011 follows:

2012 Budgeted vs. Actual Receipts

	Budgeted Receipts	Actual Receipts	Variance
General	\$133,897	\$132,498	(\$1,399)
Special Revenue	450,100	649,435	199,335
Capital Projects	25,000	24,500	(500)
Total	\$608,997	\$806,433	\$197,436

2012 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation Authority	Budgetary Expenditures	Variance
General	\$376,200	\$187,385	\$188,815
Special Revenue	643,685	498,906	144,779
Capital Projects	96,100	80,375	15,725
Total	\$1,115,985	\$766,666	\$349,319

2011 Budgeted vs. Actual Receipts

	Budgeted Receipts	Actual Receipts	Variance
General	\$140,274	\$144,552	\$4,278
Special Revenue	376,719	395,373	18,654
Capital Projects	0	170,491	170,491
Total	\$516,992	\$710,416	\$193,423

**KINGSVILLE TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

3. Budgetary Activity – (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$349,778	\$240,586	\$109,192
Special Revenue	680,661	311,117	369,544
Capital Projects	0	98,823	(98,823)
Total	\$1,030,439	\$650,526	\$379,913

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.

Public utilities are also taxed on personal and real property located within the Township.

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

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

5. Debt

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Front End Loader Note	\$107,747	3.20%
Mack Truck Loan	59,727	5.00%
Total	\$167,474	

**KINGSVILLE TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

5. Debt – (Continued)

During 2012 the Township issued general obligation notes to finance the purchase of a front end loader for Township road maintenance. The Township’s taxing authority collateralized the note.

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

Year ending December 31:	Front End Loader	Mack Truck
2013	\$18,506	\$16,828
2014	18,506	16,828
2015	18,506	16,828
2016	18,506	16,828
2017	18,506	
2018-2022	27,759	
Total	\$120,289	\$67,312

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS-Local members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants’ gross salaries. For 2012 and 2011, OPERS-Public Safety members contributed 11% of their gross salaries and the Township contributed an amount equaling 18.1% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2012.

7. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**KINGSVILLE TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

7. Risk Management – (Continued)

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	(9,355,082)	(9,718,792)
Net Position	<u>\$25,416,188</u>	<u>\$25,367,373</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$10,683.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2012</u>	<u>2011</u>
\$ 15,945	\$ 16,042

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**KINGSVILLE TOWNSHIP
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

8. Restatement of Fund Balances

On December 30, 2010, the Township deposited \$67,241, which was comprised of cash and checks collected by the Township as revenue from September 7, 2010 to December 22, 2010. In January 2011, the Township became aware that \$6,178 of those checks deposited on December 30, 2010 had expired. As a result, the Township had to remove those receipts from their accounting system and made the following fund balance adjustments to their January 1, 2011 beginning fund balances:

- General Fund balance reduced by \$6,071. Fund balance decreased from \$215,416 to \$209,345.
- Ambulance and EMS Fund balance reduced by \$107. The Ambulance and EMS Fund is a Special Revenue fund. Therefore, the Special Revenue fund type January 1, 2011 balance was restated from \$305,194 to \$305,087.



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*

Kingsville Township
Ashtabula County
3651 Creek Road
Kingsville, Ohio 44048

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 Kingsville Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2012 and December 31, 2011, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2013, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03 permits. In addition, we noted the Township implemented Governmental Accounting Standards Board Statement No. 54.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 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. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

Entity's Response to Findings

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

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

September 25, 2013

**KINGSVILLE TOWNSHIP
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND DECEMBER 31, 2011**

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

1. Township Records

<i>Finding Number</i>	2012-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Revised Code Section 507.04 states the fiscal officer must keep an accurate record of the township's accounts and transactions.

During 2012 and 2011, the Township's receipt and disbursement ledgers contained numerous inaccuracies due to posting of transactions to improper funds or posting of transactions to improper line items. For example, (1) property taxes to be allocated to the Road and Bridge, Fire Levy, Cemetery Fund were recorded to the General Fund, (2) rollback and homestead taxes were posted as property taxes instead of intergovernmental receipts and property taxes were posted as intergovernmental, (3) principal payments related to the general obligation notes were posted to the General Fund rather than the Gasoline Tax Fund, (4) on behalf proceeds and expenses relating to new debt were not booked at all, and (5) property taxes were recorded at the net amount instead of the gross amount resulting in the understatement of fees and other expenses.

These conditions resulted in fund balance adjustments to nine different funds of the Township. A recap of these adjustments by year and by fund follows:

	General Fund	MVLT	Gas Tax	Road & Bridge	Cemetery
FY11	\$(142,215)	\$(13,909)	\$(12,080)	\$78,686	\$9,638
FY12	(34,936)	(10,500)	(16,828)	24,734	2,246
Total	\$(177,152)	\$(24,410)	\$(28,908)	\$103,420	\$11,884

	Fire Levy	Permissive	Streetlights	Fire & Rescue
FY11	\$49,602	\$15,229	\$15,049	
FY12	55,119	16,898	6,329	(43,061)
Total	\$104,721	\$32,127	\$21,378	\$(43,061)

These adjustments have been posted to the fund ledgers and reflected in the financial statements. Further, certain reclassifications were made between receipt and expenditure accounts to correct the posting errors. These reclassifications are also reflected in the financial statements.

The lack of accurate recordkeeping may prevent the Township from receiving and depositing funds collected or due or expending money that is not available or appropriated both of which could result in the potential misstatement of financial statement amounts.

We recommend the Board of Trustees request monthly financial reports and cash reconciliations from the Fiscal Officer. The Board should review the reports and reconciliation for accuracy and completeness. Any discrepancies should be investigated and corrected timely.

Official's Response: The Fiscal Officer will seek additional training on posting activity to the accounting system correctly.

**KINGSVILLE TOWNSHIP
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Township was not reconciled	No	Repeated as a Management Letter comment
2010-02	Township records required numerous audit adjustments	No	Repeated as Finding 2012-001

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Dave Yost • Auditor of State

KINGSVILLE TOWNSHIP

ASHTABULA 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
NOVEMBER 12, 2013**