



Dave Yost • Auditor of State



**KINGSVILLE TOWNSHIP  
ASHTABULA COUNTY**

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# Dave Yost • Auditor of State

Kingsville Township  
Ashtabula County  
3641 Creek Rd  
Kingsville , Ohio 44048

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

June 30, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Kingsville Township  
Ashtabula County  
3641 Creek Rd  
Kingsville, Ohio 44048

To the Board of Trustees:

We have audited the accompanying financial statements of Kingsville Township, Ashtabula County, (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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State 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, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State 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 and reserves for encumbrances of Kingsville Township, Ashtabula County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 June 30, 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.



**Dave Yost**  
Auditor of State

June 30, 2011



**KINGSVILLE TOWNSHIP  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$92,512	\$188,891		\$281,403
Charges for Services		20,100		20,100
Licenses, Permits, and Fees	11,432	3,555		14,987
Intergovernmental	80,687	166,548	\$97,400	344,635
Special Assessments		15,126		15,126
Miscellaneous	11,592	2,790		14,382
	<u>196,223</u>	<u>397,010</u>	<u>97,400</u>	<u>690,633</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	108,526	3,565		112,091
Public Safety		83,559		83,559
Public Works	23,500	225,226		248,726
Health		16,618		16,618
Conservation - Recreation	2,271			2,271
Other	811			811
Capital Outlay	11,218	2,216	97,400	110,834
Debt Service:				
Redemption of Principal		18,644		18,644
Interest and Other Fiscal Charges		5,195		5,195
	<u>146,326</u>	<u>355,023</u>	<u>97,400</u>	<u>598,749</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>49,897</u>	<u>41,987</u>	<u>0</u>	<u>91,884</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	49,897	41,987	0	91,884
Fund Cash Balances, January 1	<u>165,519</u>	<u>263,207</u>		<u>428,726</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$215,416</b></u>	<u><b>\$305,194</b></u>	<u><b>\$0</b></u>	<u><b>\$520,610</b></u>
Reserve for Encumbrances, December 31	<u>\$432</u>	<u>\$569</u>	<u>\$0</u>	<u>\$1,001</u>

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

**KINGSVILLE TOWNSHIP  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$94,055	\$193,526	\$287,581
Charges for Services		27,578	27,578
Licenses, Permits, and Fees	10,532	1,894	12,426
Intergovernmental	62,820	155,260	218,080
Special Assessments		16,097	16,097
Earnings on Investments	7	138	145
Miscellaneous	5,770	11,421	17,191
	<u>173,184</u>	<u>405,914</u>	<u>579,098</u>
<b>Total Cash Receipts</b>			
	<u>173,184</u>	<u>405,914</u>	<u>579,098</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	97,257		97,257
Public Safety		101,480	101,480
Public Works	57,004	268,094	325,098
Health	16,483	10,413	26,896
Conservation - Recreation	1,510		1,510
Other	2,576		2,576
Capital Outlay		9,768	9,768
Debt Service:			
Redemption of Principal		17,828	17,828
Interest and Other Fiscal Charges		6,098	6,098
	<u>174,830</u>	<u>413,681</u>	<u>588,511</u>
<b>Total Cash Disbursements</b>			
	<u>174,830</u>	<u>413,681</u>	<u>588,511</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(1,646)</u>	<u>(7,767)</u>	<u>(9,413)</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(1,646)	(7,767)	(9,413)
Fund Cash Balances, January 1	<u>167,165</u>	<u>270,974</u>	<u>438,139</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$165,519</b></u>	<u><b>\$263,207</b></u>	<u><b>\$428,726</b></u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$273</u>	<u>\$273</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, 2010 AND 2009**

**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 services and emergency medical services.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Following is a brief description of this entity. Note 7 to the financial statements provides additional information.

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.

The Township values certificates of deposit at cost.

**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 reports all financial resources except those required to be accounted for in another fund.

**KINGSVILLE TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. 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 receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds:

Issue II Fund - The Township received a grant from the State of Ohio for hot and cold mix paving on 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, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**KINGSVILLE TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**F. 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.

**G. 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**

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

	2010	2009
Demand deposits	\$495,098	\$403,214
Certificates of deposit	25,512	25,512
Total deposits	520,610	428,726

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$146,119	\$196,223	\$50,104
Special Revenue	386,469	397,010	10,541
Capital Projects	0	97,400	97,400
Total	\$532,588	\$690,633	\$158,045

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$311,639	\$146,758	\$164,881
Special Revenue	649,677	355,592	294,085
Capital Projects	0	97,400	(97,400)
Total	\$961,316	\$599,750	\$361,566

**KINGSVILLE TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. BUDGETARY ACTIVITY – (Continued)**

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$135,067	\$173,184	\$38,117
Special Revenue	406,536	405,914	(622)
Capital Projects	97,400	0	(97,400)
Total	\$639,003	\$579,098	(\$59,905)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$301,546	\$174,830	\$126,716
Special Revenue	677,502	413,954	263,548
Capital Projects	97,400	0	97,400
Total	\$1,076,448	\$588,784	\$487,664

**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, 2010 was as follows:

	Principal	Interest Rate
General Obligation Notes - Mack Truck	\$85,483	5%
Total	\$85,483	

The Township issued general obligation notes to finance the purchase of a new 1 ton dump truck for Township road maintenance. The Township's taxing authority collateralized the notes.

**KINGSVILLE TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**5. DEBT – (Continued)**

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

Year ending December 31:	Mack Truck General Obligation Note
2011	\$16,828
2012	16,828
2013	16,828
2014	16,828
2015	16,828
2016	16,828
Total	\$100,968

**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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

**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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

**KINGSVILLE TOWNSHIP  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	(10,664,724)	(12,880,766)
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$15,000.

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>2010</u>	<u>2009</u>
\$14,982	\$13,023

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, 2010 AND 2009  
(Continued)**

**8. COMPLIANCE**

Ohio Rev. Code § 507.04 requires the fiscal officer to keep an accurate record of the Township's accounts and transactions. At December 31, 2010, the Township's fund ledgers were inaccurate due to postings of transactions to improper account codes or postings of transactions in improper amounts. Cash balance adjustments were made between the General Fund and Gasoline Tax Fund for \$5,913 and between the Cemetery Fund and Road and Bridge Fund for \$1,432. These adjustments have been reflected in the financial statements. Further, reclassifications were made between receipt and expenditure accounts within various funds to correct the posting errors. These reclassifications have also been reflected in the financial statements.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' 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 the financial statements of Kingsville Township (the Township) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 30, 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 also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion 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 have not opined on the effectiveness of the Township's internal control over financial reporting.

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

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented or detected and timely corrected. We consider findings 2010-01 and 2010-02 described in the accompanying schedule of findings 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, providing an opinion 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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-02.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 30, 2011.

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

We intend this report solely for the information and use of management, Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

June 30, 2011

**KINGSVILLE TOWNSHIP  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 and 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-01**

**Material Weakness**

**Cash Reconciliation**

In order to ensure the completeness and accuracy of the Township's accounting records, an adequate system of internal controls requires that monthly reconciliations be performed between the fund ledgers and bank depository. To be effective, these reconciliations should include a thorough investigation and follow-up of all significant reconciling items.

The following deficiencies and reconciling items were noted in the Township's monthly cash reconciliations:

- The Township's cash reconciliation did not always agree to the cash fund balances during the period under audit;
- There was no evidence of monthly cash reconciliations performed during the period from February 2010 through November 2010;
- The cash reconciliation at December 31, 2010 included outstanding checks that had previously cleared the bank;
- Electronic fund withdrawals were not posted to the disbursements ledger;
- Interest was not posted to the fund ledgers timely;

These deficiencies indicate an ineffective system of internal accounting controls over the cash reconciliation process. Errors, irregularities, and misappropriation of assets may occur and not be detected timely, which could potentially misstate the financial statements.

We recommend that monthly cash reconciliations between the Township's fund ledgers and bank depository be prepared timely. Any deficiencies or reconciling items should immediately be investigated and rectified. The Board of Trustees should closely monitor the reconciliation process by reviewing the follow-up of any deficiencies or reconciling items.

**Officials' Response**

As of March, 2011, the new fiscal officer has been reconciling the bank statements monthly and has been forwarding them to the Trustees for their review and signature on a monthly basis.

**FINDING NUMBER 2010-02**

**Noncompliance Finding/Material Weakness**

**Township Records**

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

**FINDING NUMBER 2010-02  
(Continued)**

During 2010 and 2009, the Township's receipts ledger and disbursements ledger contained numerous inaccuracies due to postings of transactions to improper account codes or postings of transactions in improper amounts. For example, (1) property taxes to be allocated to the Road and Bridge Fund were recorded to the Cemetery Fund, (2) rollback and homestead taxes were posted as property taxes instead of intergovernmental receipts, (3) principal payments related to the general obligation notes were posted to the General Fund rather than the Gasoline Tax Fund, 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 cash balance adjustments of \$5,913 between the General Fund and Gasoline Tax Fund and \$1,432 between the Cemetery Fund and Road and Bridge Fund. 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.

**Officials Response**

At the next regular meeting of the Trustees on August 24, 2011, the Board will entertain the motion of setting and establishing a records committee to include the Fiscal Officer and the Chairman of the Board of Trustees.



# 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  
SEPTEMBER 6, 2011**