



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  
3641 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, 2014 and 2013.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

We believe the audit evidence we obtained is sufficient and appropriate to support our audit 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Kingsville Township, Ashtabula County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2015, 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

October 29, 2015

**KINGSVILLE TOWNSHIP  
ASHTABULA COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$119,024	\$285,950	\$0	\$404,974
Charges for Services		135,026		135,026
Licenses, Permits and Fees	8,520	6,460		14,980
Intergovernmental	23,070	142,455		165,525
Special Assessments		16,357		16,357
Earnings on Investments	15			15
Miscellaneous	9,883	23,896	5,482	39,261
<i>Total Cash Receipts</i>	<u>160,512</u>	<u>610,144</u>	<u>5,482</u>	<u>776,138</u>
<b>Cash Disbursements</b>				
Current:				
General Government	71,644			71,644
Public Safety		187,029		187,029
Public Works		277,041		277,041
Health	13,488	20,570		34,058
Conservation-Recreation	832			832
Capital Outlay		13,500		13,500
Debt Service:				
Principal Retirement		30,188		30,188
Interest and Fiscal Charges		5,146		5,146
<i>Total Cash Disbursements</i>	<u>85,964</u>	<u>533,474</u>	<u>0</u>	<u>619,438</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>74,548</u>	<u>76,670</u>	<u>5,482</u>	<u>156,700</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In		1,223		1,223
Transfers Out			(1,223)	(1,223)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>1,223</u>	<u>(1,223)</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	74,548	77,893	4,259	156,700
<i>Fund Cash Balances, January 1</i>	<u>1,367</u>	<u>763,001</u>	<u>15,793</u>	<u>780,161</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		840,894	20,052	860,946
Unassigned (Deficit)	75,914			75,914
<i>Fund Cash Balances, December 31</i>	<u>\$75,914</u>	<u>\$840,894</u>	<u>\$20,052</u>	<u>\$936,860</u>

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

**KINGSVILLE TOWNSHIP  
ASHTABULA COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$84,654	\$246,699	\$0	\$331,353
Charges for Services		130,383		130,383
Licenses, Permits and Fees	13,013	5,415		18,428
Intergovernmental	18,658	191,587	188,315	398,560
Special Assessments		15,447		15,447
Earnings on Investments	14	1		15
Miscellaneous	5,063	11,535		16,598
<i>Total Cash Receipts</i>	<u>121,403</u>	<u>601,066</u>	<u>188,315</u>	<u>910,784</u>
<b>Cash Disbursements</b>				
Current:				
General Government	121,977			121,977
Public Safety		153,631		153,631
Public Works	32,354	219,333		251,687
Health		15,713		15,713
Conservation-Recreation	639			639
Capital Outlay		5,507	188,315	193,822
Debt Service:				
Principal Retirement	21,366	7,638		29,004
Interest and Fiscal Charges	4,715	1,615		6,330
<i>Total Cash Disbursements</i>	<u>181,051</u>	<u>403,437</u>	<u>188,315</u>	<u>772,803</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(59,648)</u>	<u>197,629</u>	<u>0</u>	<u>137,981</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets	22,500			22,500
Transfers In		25,500		25,500
Transfers Out	(25,500)			(25,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(3,000)</u>	<u>25,500</u>	<u>0</u>	<u>22,500</u>
<i>Net Change in Fund Cash Balances</i>	<u>(62,648)</u>	<u>223,129</u>	<u>0</u>	<u>160,481</u>
<i>Fund Cash Balances, January 1 (as restated note 8)</i>	<u>64,015</u>	<u>539,872</u>	<u>15,793</u>	<u>619,680</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		763,001	15,793	778,794
Unassigned (Deficit)	1,367			1,367
<i>Fund Cash Balances, December 31</i>	<u>\$1,367</u>	<u>\$763,001</u>	<u>\$15,793</u>	<u>\$780,161</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, 2014 AND 2013**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the 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 participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:  
Ohio Township Association Risk Management Authority (OTARMA) (See Note 7)

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

**B. Accounting Basis**

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

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

**C. Deposits and Investments**

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

**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, 2014 AND 2013  
(Continued)**

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

**D. Fund Accounting (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.

Ambulance and EMS Fund - This fund receives charges for services monies for providing ambulance services and emergency medical services.

**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 fund:

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, 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. 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 approve estimated resources.

**KINGSVILLE TOWNSHIP  
ASHTABULA COUNTY**

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

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

**E. Budgetary Process (Continued)**

**3. Encumbrances**

Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

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

**F. Fund Balance**

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

**1. Nonspendable**

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

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**KINGSVILLE TOWNSHIP  
ASHTABULA COUNTY**

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

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

**F. Fund Balance (Continued)**

**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.

**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:

	<u>2014</u>	<u>2013</u>
Demand deposits	\$905,758	\$749,058
Certificates of deposit	31,103	31,103
Total deposits	<u>\$936,861</u>	<u>\$780,161</u>

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

**KINGSVILLE TOWNSHIP  
ASHTABULA COUNTY**

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

**3. Budgetary Activity**

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

2014 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$72,041	\$160,512	\$88,471
Special Revenue	506,245	610,144	103,899
Capital Projects	19,204	5,482	(13,722)
Total	<u>\$597,490</u>	<u>\$776,138</u>	<u>\$178,648</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$211,550	\$85,964	\$125,586
Special Revenue	917,266	533,474	383,792
Capital Projects	19,204	1,223	17,981
Total	<u>\$1,148,020</u>	<u>\$620,661</u>	<u>\$527,359</u>

2013 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$77,546	\$143,903	\$66,357
Special Revenue	508,114	626,566	118,452
Capital Projects	200,815	188,315	(12,500)
Total	<u>\$786,475</u>	<u>\$958,784</u>	<u>\$172,309</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$197,542	\$206,551	(\$9,009)
Special Revenue	644,956	403,437	241,519
Capital Projects	201,815	188,315	13,500
Total	<u>\$1,044,313</u>	<u>\$798,303</u>	<u>\$246,010</u>

**KINGSVILLE TOWNSHIP  
ASHTABULA COUNTY**

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

**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.

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, 2014 was as follows:

	Principal	Interest Rate
Front End Loader Lease	\$76,945	3.20%
Mack Truck Notes	31,294	5.00%
Total	\$108,239	

The Township's taxing authority collateralized the notes.

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

	Front End Loader Lease	Mack Truck Note
Year ending December 31:		
2015	\$18,506	\$16,828
2016	18,506	16,828
2017	18,506	
2018	18,506	
2019	9,253	
Total	\$83,277	\$33,656

**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 plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed \$14,417 and \$13,493, respectively, 10% of their gross salaries and the Township contributed an amount equaling \$20,183 and \$18,891, respectively, 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

**KINGSVILLE TOWNSHIP  
ASHTABULA COUNTY**

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

**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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2014, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Assets	\$34,954,286	\$35,970,263
Liabilities	8,486,363	8,912,432
Net Position	\$26,467,923	\$27,057,831

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$8,545.

**KINGSVILLE TOWNSHIP  
ASHTABULA COUNTY**

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

**7. Risk Management (Continued)**

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.

<b><u>Contributions to OTARMA</u></b>	
<b><u>2013</u></b>	<b><u>2014</u></b>
\$16,627	\$16,433

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.

**8. Restatement of Fund Balance**

The restatement of the General Fund's fund balance was due to a \$5,000 certificate of deposit and un-posted interest earnings of \$591 balances not being presented in prior years financial statements. The restatement had the following effect:

<u>General Fund</u>	
Fund Balance December 31, 2012	\$58,424
Adjusted certificates of deposits balances	<u>5,591</u>
Restated Fund Balance December 31, 2012	\$64,015

**9. Subsequent Events**

On February 19, 2015, the Township purchased a new ambulance for \$192,843.



# 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 year ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated October 29, 2015 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***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 2014-001 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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

***Township'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

October 29, 2015

**KINGSVILLE TOWNSHIP  
ASHTABULA COUNTY**

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

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

**1. Posting Errors**

<i><b>Finding Number</b></i>	<b>2014-001*</b>
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**NONCOMPLIANCE AND MATERIAL WEAKNESS**

**Ohio Revised Code § 507.04** states the township fiscal officer shall keep an accurate record of the proceedings of the board of township trustees at all of its meetings, and of all its accounts and transactions, including the acceptance of the bonds of township officers.

An entity's accounting system encompasses the sequence of steps followed in the accounting process, from analyzing and recording transactions, posting entries, adjusting and closing accounts, and preparing financial statements.

During 2014 and 2013, the Township's receipt and disbursement ledgers contained numerous posting errors of transactions to incorrect funds and posting of transactions to incorrect line items.

In the prior audit period, an unrecorded certificate of deposit with a carrying balance of \$5,000 and another certificate of deposit with a carrying balance of \$11,103 that was recorded in the accounting system as \$10,512 a \$591 understatement for unrecorded interest. The net effect of this error understated the General Fund balance by the amount of \$5,591 at December 31, 2012.

To correct the financial statements, the Fiscal Officer posted an adjustment to the General Fund balance in the amount of \$5,591 in the accounting system order to properly restate the prior period fund balance.

During 2013 we noted the following errors affecting fund balances:

- Permissive Motor Vehicle License Tax taxes of \$15,830 were recorded to the General Fund and the Motor Vehicle License Tax Fund in the amounts of \$12,790 and \$3,040 respectively.
- Homestead and Rollback taxes of \$39,312 were posted as property taxes to the General Fund as opposed to being allocated to the funds due in amounts of \$24,906, \$2,263 and \$12,143 to the Road and Bridge Fund, Cemetery Fund and Fire Levy Fund, respectively.
- OPWC monies in the amount of \$61,285 were received into the General Fund instead of the Gasoline Tax Fund for reimbursement for in-kind contributions paid from that fund.

During 2014 we noted the following errors affecting fund balances:

- Permissive Motor Vehicle License Tax taxes of \$9,524 were recorded to the General Fund and the Motor Vehicle License Tax Fund in the amounts of \$1,228 and \$8,296, respectively.
- Homestead and Rollback taxes of \$39,189 were posted as property taxes to the General Fund as opposed to being properly allocated in amounts of \$23,815, \$2,164 and \$13,210 to the Road and Bridge Fund, Cemetery Fund and Fire Levy Fund, respectively.

**Finding Number 2014-001  
 (Continued)**

The table below summarizes the changes to the unaudited fund balances reported for each year:

	General Fund	Motor Vehicle Tax Fund	Gasoline Tax Fund	Road and Bridge Fund	Cemetery Fund	Fire Ley Fund	Permissive Vehicle Tax Fund
2013	(\$113,387)	(\$3,040)	\$61,285	\$24,906	\$2,263	\$12,143	\$15,830
2014	(40,417)	(8,296)	-	23,815	2,164	13,210	9,524

To correct the financial statements and fund balances, the Fiscal Officer posted adjustments to the Township's Financial Statements and to the accounting system for the above noted posting errors.

We found three additional significant posting errors that did not affect the Fund balances.

- Property taxes were recorded at the net amount instead of gross amount resulting in the understatement of fees and other expenses in the amount of \$18,475; and
- An OPWC payment on behalf of the Township in the amount of \$188,315 made directly to a contractor for the Green Road project was not recorded as a receipt and expenditure resulting in the understatement of revenue and expenditures in the Public Works Commission Fund; and
- Proceeds from the sale of an old front end loader were posted as miscellaneous in the amount of \$22,500 instead of as a sale of fixed assets in the General Fund.

To correct the financial statements, the Fiscal Officer posted adjustments to the Township's Financial Statements for the above noted posting errors.

The failure to accurately record revenues and expenditures to the proper funds and line items resulted in material misstatements to the financial statements. The adjustments are 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 or cause negative fund balances.

We recommend the Fiscal Officer use the Ohio Township Handbook tables of account codes for revenues and expenditures as a source of information regarding the proper posting of transactions. Further, we recommend the Board of Trustees should review monthly financial reports and cash reconciliations from the Fiscal Officer for changes in anticipated revenues, expenditures and transfers and the accuracy and completeness of the reports, any discrepancies should be investigated and corrected in a timely manner.

**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, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Township records required numerous audit adjustments	No	Repeated as Finding 2014-001

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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, 2015**