



Certified Public Accountants, A.C.

**KINGSVILLE TOWNSHIP
ASHTABULA COUNTY
Regular Audit
For the Years Ended December 31, 2018 and 2017**

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., #300
Cambridge, OH 43725
740 435 3417

OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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(800) 282-0370

Board of Trustees
Kingsville Township
3641 Creek Road
Kingsville, OH 44048

We have reviewed the *Independent Auditor's Report* of Kingsville Township, Ashtabula County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Noncompliance – Finding for Recovery IRS Interest and Penalties

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The law requires employers to withhold taxes from employees’ paychecks and remit those taxes to the government. The United States Internal Revenue Code, for example, requires employers to deduct from wages paid to employees the employees’ share of FICA taxes and individual income taxes. See 26 U.S.C. §§ 3102(a) and 3402(a). Those withholdings are considered to be held in “a special fund in trust for the United States.” 26 U.S.C. § 7501(a). The employer is liable for the withheld portion of the employee’s wages and must pay over the full amount to the government each quarter. See *United States v Farr*, 536 F.3d 1174, 1176 (10th Circ. 2008).

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Board of Trustees
Kingsville Township
3641 Creek Road
Kingsville, OH 44048
Page -2-

Noncompliance – Finding for Recovery IRS Interest and Penalties (continued)

On September 12, 2018 and January 9, 2019, Kingsville Township, Ashtabula County remitted payments to the Internal Revenue Service (IRS) of \$2,529 and \$442, respectively (total \$2,971) related to interest and penalties for late IRS tax deposits dating from the 3rd quarter 2016 through 3rd quarter 2018. The interest and penalties assessed against the Township could have been avoided had the Township timely remitted its employee federal tax withholdings; as such, these expenditures do not serve a proper public purpose. Sarah Patterson as the Township's Fiscal Officer was responsible for remitting tax withholding payments during the time period these fees were incurred.

In accordance with the foregoing facts and authorities, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public money illegally expended for failure to remit withheld income tax contributions resulting in late fees, interest, and penalties assessed against the Township is hereby issued against Sarah Patterson, Township Fiscal Officer and Traveler Casualty and Surety Company of America, the Bonding Company for Sarah Patterson, jointly and severally in the amount of \$2,971 and in favor of Kingsville Township's, Ashtabula County, Ohio, General Fund.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Kingsville Township is responsible for compliance with these laws and regulations.



Keith Faber
Auditor of State
Columbus, Ohio

December 13, 2019

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**KINGSVILLE TOWNSHIP
ASHTABULA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2018	3
Notes to the Financial Statements For the Year Ended December 31, 2018	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2017	12
Notes to the Financial Statements For the Year Ended December 31, 2017	13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Schedule of Audit Findings	22
Schedule of Prior Audit Findings.....	25

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INDEPENDENT AUDITOR'S REPORT

November 22, 2019

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 of the cash balances, receipts and disbursements by fund type and related notes of **Kingsville Township**, Ashtabula County, (the Township) as of and for the years ended December 31, 2018 and 2017.

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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 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, 2018 and 2017, 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 cash balances, receipts and disbursements by fund type, and related notes of the Kingsville Township, Ashtabula County as of December 31, 2018 and 2017, and 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**KINGSVILLE TOWNSHIP
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 93,690	\$ 323,638	\$ -	\$ 417,328
Charges for Services	-	196,383	-	196,383
Licenses, Permits and Fees	12,872	7,078	-	19,950
Intergovernmental	20,035	137,377	-	157,412
Special Assessments	-	14,800	-	14,800
Earnings on Investments	226	-	-	226
Miscellaneous	2,042	7,925	-	9,967
<i>Total Cash Receipts</i>	<u>128,865</u>	<u>687,201</u>	<u>-</u>	<u>816,066</u>
Cash Disbursements				
Current:				
General Government	87,128	-	-	87,128
Public Safety	-	229,482	-	229,482
Public Works	8,178	355,401	-	363,579
Conservation-Recreation	7,385	-	-	7,385
Health	-	28,130	-	28,130
Capital Outlay	35	917	498,307	499,259
Debt Service:				
Principal Retirement	-	92,297	-	92,297
Interest and Fiscal Charges	-	7,202	-	7,202
<i>Total Cash Disbursements</i>	<u>102,726</u>	<u>713,429</u>	<u>498,307</u>	<u>1,314,462</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>26,139</u>	<u>(26,228)</u>	<u>(498,307)</u>	<u>(498,396)</u>
Extraordinary Item	-	-	141,455	141,455
<i>Fund Cash Balances, January 1</i>	<u>122,760</u>	<u>922,438</u>	<u>475,206</u>	<u>1,520,404</u>
Fund Cash Balances, December 31				
Restricted	-	896,210	118,354	1,014,564
Assigned	71,126	-	-	71,126
Unassigned	77,773	-	-	77,773
<i>Fund Cash Balances, December 31</i>	<u>\$ 148,899</u>	<u>\$ 896,210</u>	<u>\$ 118,354</u>	<u>\$ 1,163,463</u>

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

Kingsville Township
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting 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.

Public Entity Risk Pools

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Cemetery Fund This fund receives money from fees for burials and sales of cemetery lots.

Kingsville Township
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Fire/EMS Funds These funds receive property tax money for providing fire protection and emergency medical services to Township residents and purchasing and maintaining equipment for these services.

Special Assessment-Street Lighting Fund This fund receives money from property owners through special assessments approved by the County Budget Commission. :

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:

Fire Loss Fund The Township received Fire Loss money from OTARMA for losses incurred from a fire that started during construction of the road department building.

Basis of Accounting

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.

Kingsville Township
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, 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. Unencumbered appropriations lapse at year end.

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

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 2018 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

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:

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

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.

Kingsville Township
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

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.

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.

Note 3 – Compliance

Contrary to Ohio law, Appropriations exceeded Estimated Resources in the General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, Cemetery, Permissive Motor Vehicle License Tax, and the Ambulance and Emergency Medical Services Funds.

Kingsville Township
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 118,225	\$ 128,865	\$ 10,640
Special Revenue	639,000	687,201	48,201
Capital Projects	75,003	141,455	66,452
Total	\$ 832,228	\$ 957,521	\$ 125,293

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 187,043	\$ 103,908	\$ 83,135
Special Revenue	1,260,899	718,843	542,056
Capital Projects	600,000	498,307	101,693
Total	\$ 2,047,942	\$ 1,321,058	\$ 726,884

Note 5 – 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:

	2018
Demand deposits	\$ 1,163,463
Total deposits	\$ 1,163,463

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

Kingsville Township
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 – Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Note 7 - Risk Management

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

Kingsville Township
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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 2018, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Social Security

Thirteen Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Kingsville Township
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 – Debt

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
Front End Loader	\$ 9,106	3.2%
Fire Truck	153,000	2.5%
Ambulance	24,159	2.7%
Total	\$ 186,265	

The Township entered into a lease agreement with US Bank in 2012 to finance a Front End Loader to assist with Township operations. The Township also entered into a lease agreement with US Bank in 2015 to Finance an Ambulance that assists with providing Emergency Medical Services to the Township. The Township entered into an agreement with Andover bank to Finance the purchase of a Fire Truck in 2017 to assist with providing Fire Protection services to Township.

Amortization

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

Year Ending December 31:	Principal and Interest
2019	\$ 88,896
2020	53,550
2021	52,275
Total	\$ 194,721

Note 11 – Contingent Liabilities

The Township is defendant in one lawsuit. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

**KINGSVILLE TOWNSHIP
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 88,578	\$ 313,897	\$ -	\$ 402,475
Charges for Services	-	203,395	-	203,395
Licenses, Permits and Fees	12,150	4,724	-	16,874
Intergovernmental	20,713	134,730	-	155,443
Special Assessments	-	15,221	-	15,221
Earnings on Investments	94	1	-	95
Miscellaneous	2,145	79,207	-	81,352
<i>Total Cash Receipts</i>	<u>123,680</u>	<u>751,175</u>	<u>-</u>	<u>874,855</u>
Cash Disbursements				
Current:				
General Government	100,842	-	-	100,842
Public Safety	-	302,480	-	302,480
Public Works	8,968	241,492	-	250,460
Conservation-Recreation	2,701	-	-	2,701
Health	-	32,811	-	32,811
Capital Outlay	570	369,469	220,368	590,407
Debt Service:				
Principal Retirement	-	91,111	-	91,111
Interest and Fiscal Charges	-	5,887	-	5,887
<i>Total Cash Disbursements</i>	<u>113,081</u>	<u>1,043,250</u>	<u>220,368</u>	<u>1,376,699</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>10,599</u>	<u>(292,075)</u>	<u>(220,368)</u>	<u>(501,844)</u>
Other Financing Receipts				
Other Debt Proceeds	-	255,000	-	255,000
<i>Total Other Financing Receipts</i>	<u>-</u>	<u>255,000</u>	<u>-</u>	<u>255,000</u>
Extraordinary Item	-	-	667,523	667,523
<i>Net Change in Fund Cash Balances</i>	10,599	(37,075)	447,155	420,679
<i>Fund Cash Balances, January 1</i>	<u>112,161</u>	<u>959,513</u>	<u>28,051</u>	<u>1,099,725</u>
Fund Cash Balances, December 31				
Restricted	-	922,438	475,206	1,397,644
Assigned	68,818	-	-	68,818
Unassigned	53,942	-	-	53,942
<i>Fund Cash Balances, December 31</i>	<u>\$ 122,760</u>	<u>\$ 922,438</u>	<u>\$ 475,206</u>	<u>\$ 1,520,404</u>

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

Kingsville Township
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

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Public Entity Risk Pools

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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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.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Kingsville Township
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Fire Levy Funds These funds receive property tax money for providing fire protection and emergency medical services to Township residents and purchasing and maintaining equipment for these services.

Ambulance and Emergency Medical Services Fund These funds receive property tax money for providing fire protection and emergency medical services to Township residents and purchasing and maintaining equipment for these services.

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:

Fire Loss Fund The Township received Fire Loss money from OTARMA for losses incurred from a fire that started during construction of the road department building.

Basis of Accounting

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.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, 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. Unencumbered appropriations lapse at year end.

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

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 2017 budgetary activity appears in Note 4.

Kingsville Township
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Deposits and Investments

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

Capital Assets

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

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:

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

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.

Fund Balance

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.

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.

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.

Kingsville Township
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Compliance

Contrary to Ohio law, Appropriations exceeded Estimated Resources in the Fire Levy, Ambulance and Emergency Medical Services, and Miscellaneous Capital Projects funds. Also contrary to Ohio law, expenditures exceeded appropriations by \$105,913 in the Road and Bridge fund, \$2,697 in the Cemetery fund, and \$203,334 in the Fire Loss fund.

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 118,225	\$ 123,680	\$ 5,455
Special Revenue	604,925	1,006,175	401,250
Capital Projects	3	667,523	667,520
Total	\$ 723,153	\$ 1,797,378	\$ 1,074,225

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 204,192	\$ 114,462	\$ 89,730
Special Revenue	1,061,639	1,217,455	(155,816)
Capital Projects	23,000	226,334	(203,334)
Total	\$ 1,288,831	\$ 1,558,251	\$ (269,420)

Note 5 – 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:

Demand deposits	2017 \$ 1,520,404
Total deposits	\$ 1,520,404

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

Kingsville Township
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Note 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, 2017, 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.

Kingsville Township
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 - Risk Management (Continued)

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, 2017.

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$6,000.

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>2017 Contributions to OTARMA</u>
--

\$14,658

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
For the Year Ended December 31, 2017

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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 2017, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Social Security

Thirteen Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1 percent during calendar year 2017.

Kingsville Township
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 – Debt

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
Front End Loader	\$ 26,888	3.2%
Fire Truck	204,000	2.5%
Ambulance	47,674	2.7%
Total	\$ 278,562	

The balance of the Front End Loader loan was not correct in the prior audit. The outstanding balance at December 31, 2016 should have been \$44,110. The Township entered into a lease agreement with US Bank in 2012 to finance a Front End Loader to assist with Township operations. The Township also entered into a lease agreement with US Bank in 2015 to Finance an Ambulance that assists with providing Emergency Medical Services to the Township. The Township entered into an agreement with Andover bank to Finance the purchase of a Fire Truck in 2017 to assist with providing Fire Protection services to Township.

Amortization

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

Year Ending December 31:		
2018	\$	99,424
2019		88,896
2020		53,550
2021		52,275
Total	\$	294,145

Note 11 – Contingent Liabilities

The Township is defendant in one lawsuit. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.



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740.373.0056

1907 Grand Central Ave.
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304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

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

November 22, 2019

Kingsville Township
Ashtabula County
3641 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 the cash balances, receipts, and disbursements by fund type of **Kingsville Township**, Ashtabula County, (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2019, 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider material weaknesses. We consider finding 2018-002 and 2018-003 to be material weaknesses.

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Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2018-001 and 2018-003.

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 report is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**KINGSVILLE TOWNSHIP
ASHTABULA COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001

Noncompliance

Budgetary Controls

The budget is an instrument of public policy: a governing board expresses its desire for using a government's limited resources through its appropriations. Ohio Revised Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead the Township to make financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.39 stating total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure.
- Violations of 5705.41(B) stating total expenditures cannot exceed the total appropriations for that fund.
- Appropriations and estimated receipts posted in the accounting system did not always agree to the Board. approved appropriations or the Amended Certificate of Estimated Resources filed with the county auditor.

The Board should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Township is complying with applicable sections.

Officials' Response – We did not receive a response from officials to this finding.

**KINGSVILLE TOWNSHIP
ASHTABULA COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-002

Material Weakness

Financial Reporting

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure information provided to the readers of the financial statements is accurate. Fund balances should be properly classified based on Governmental Accounting Standards Board (GASB) Statement No. 54: *Fund Balance Reporting and Governmental Fund Type Definitions*. Footnote disclosures should be accurate based on underlying source documentation and governmental accounting standards.

During 2017 and 2018, fund balances, receipts, and disbursements were not always posted or classified correctly.

- GASB 54 fund balance classifications were not always correct. The fund balance of the General Fund was improperly classified as Unassigned instead of Assigned in 2018 and 2017. The fund balances of the Special Revenue Fund Fire & Rescue Ambulance EMS Service were improperly classified as Assigned instead of Restricted.
- Portions of real estate rollback receipts were included in Contracts for Emergency Medical Services and Property Tax instead of intergovernmental.
- OTARMA Fire Loss insurance money was incorrectly included in Miscellaneous instead of as an Extraordinary item.
- Debt Proceeds were not always accurately posted to the accounting system.

Not classifying fund balances accurately and posting receipts and disbursements accurately resulted in the financial statements requiring several reclassifications and adjustments. The financial statements reflect all reclassifications and adjustments. The Township has posted all adjustments to its accounting system.

We also recommend the Fiscal Officer refer to the Ohio Township Handbook and Ohio Administration Code for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures. The Fiscal Officer should also refer to Auditor of State Technical Bulletin 2011-004 for information on fund and fund balance classifications.

Officials' Response – We did not receive a response from officials to this finding.

**KINGSVILLE TOWNSHIP
ASHTABULA COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-003

Material Weakness/ Noncompliance

Unremitted Payroll Withholdings

The law requires employers to withhold taxes from employees' paychecks and remit those taxes to the government. The United States Internal Revenue Code, for example, requires employers to deduct from wages paid to employees the employees' share of FICA taxes and individual income taxes. See 26 U.S.C. §§ 3102(a) and 3402(a). Those withholdings are considered to be held in "a special fund in trust for the United States." 26 U.S.C. § 7501(a). The employer is liable for the withheld portion of the employee's wages and must pay over the full amount to the government each quarter. See *United States v Farr*, 536 F.3d 1174, 1176 (10th Circ. 2008).

On September 12, 2018 and January 9, 2019, the Township remitted payments to the Internal Revenue Service (IRS) of \$2,529 and \$442, respectively (total \$2,971) related to interest and penalties for late IRS tax deposits dating from the 3rd quarter 2016 through 3rd quarter 2018. The interest and penalties assessed against the Township could have been avoided had the Township timely remitted its employee federal tax withholdings; as such, these expenditures do not serve a proper public purpose. The Township's Fiscal Officer was responsible for remitting tax withholding payments during the time period these fees were incurred.

We recommend that the Fiscal Officer and Board of Trustees ensure that all payroll withholdings are remitted in full on a timely basis. We also recommend that the Township review its procedures for monitoring of payroll cycle activity to ensure that all payroll activity is properly accounted for and that the Township is in compliance with regulations governing the withholding and remitting of employment taxes and pension contributions.

Officials' Response – We did not receive a response from officials to this finding.

**KINGSVILLE TOWNSHIP
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Posting Receipts, Disbursements and Classification of Fund Balances	Not Corrected	Repeated as Finding 2018-002
2016-002	5705.41(B)	Not Corrected	Repeated as Finding 2018-001
2016-003	Estimated Receipts did not agree to the accounting system	Not Corrected	Repeated as Finding 2018-002

OHIO AUDITOR OF STATE KEITH FABER



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
DECEMBER 26, 2019**