

***KINSMAN TOWNSHIP***

***TRUMBULL COUNTY***

*Audit Report*

*For the Years Ended December 31, 2016 and 2015*







# Dave Yost • Auditor of State

Board of Trustees  
Kinsman Township  
7890 State Route 5  
Kinsman, Ohio 44439

We have reviewed the *Independent Auditor's Report* of Kinsman Township, Trumbull County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2015 through December 31, 2016. 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.

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. Kinsman Township is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

June 29, 2017

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**Kinsman Township**  
**Trumbull County**  
*For the Years Ended December 31, 2016 and 2015*

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**INDEPENDENT AUDITOR'S REPORT**

Kinsman Township  
Trumbull County  
7890 State Route 5  
PO Box 399  
Kinsman, Ohio 44428

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 Kinsman Township, Trumbull County, (the Township) as of and for the years ended December 31, 2016 and 2015.

***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 opinions.

***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 determined, 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, 2016 and 2015, 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 Kinsman Township, Trumbull County as of December 31, 2016 and 2015, 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 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2017, 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.



***Charles E. Harris & Associates, Inc.***  
May 24, 2017

**KINSMAN TOWNSHIP  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 49,053	\$ 339,709	\$ -	\$ 388,762
Licenses, Permits, and Fees	9,940	-	-	9,940
Fines and Forfeitures	1,373	-	-	1,373
Intergovernmental	36,460	146,426	185,443	368,329
Special Assessments	-	8,989	-	8,989
Earnings on Investments	1,788	1,603	141	3,532
Miscellaneous	22,169	11,434	21,750	55,353
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	120,783	508,161	207,334	836,278
<b>Cash Disbursements:</b>				
Current:				
General Government	115,486	500	-	115,986
Public Safety	-	196,502	-	196,502
Public Works	-	334,933	-	334,933
Health	802	-	-	802
Conservation-Recreation	20,017	-	-	20,017
Capital Outlay	11,620	-	290,460	302,080
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	147,925	531,935	290,460	970,320
Excess of Receipts Over/(Under) Disbursements	(27,142)	(23,774)	(83,126)	(134,042)
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers In	-	-	38,339	38,339
Transfers Out	(38,339)	-	-	(38,339)
Advances In	90,576	-	132,633	223,209
Advances Out	(132,633)	-	(90,576)	(223,209)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(80,396)	-	80,396	-
Net Change in Fund Cash Balances	(107,538)	(23,774)	(2,730)	(134,042)
Fund Cash Balances, January 1	263,790	1,136,205	49,135	1,449,130
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31				
Restricted	-	1,112,431	46,405	1,158,836
Assigned	2,064	-	-	2,064
Unassigned	154,188	-	-	154,188
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$ 156,252</b>	<b>\$ 1,112,431</b>	<b>\$ 46,405</b>	<b>\$ 1,315,088</b>



**KINSMAN TOWNSHIP  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 48,956	\$ 293,927	\$ -	\$ 342,883
Licenses, Permits, and Fees	15,687	-	-	15,687
Fines and Forfeitures	503	-	-	503
Intergovernmental	40,050	129,997	-	170,047
Special Assessments	-	9,324	-	9,324
Earnings on Investments	1,976	525	-	2,501
Miscellaneous	19,662	8,422	49,135	77,219
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Total Cash Receipts	126,834	442,195	49,135	618,164
<b>Cash Disbursements:</b>				
Current:				
General Government	131,305	-	-	131,305
Public Safety	686	181,198	-	181,884
Public Works	-	245,486	-	245,486
Health	973	-	-	973
Conservation-Recreation	20,865	-	-	20,865
Capital Outlay	6,284	-	-	6,284
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Total Cash Disbursements	160,113	426,684	-	586,797
Net Change in Fund Cash Balances	(33,279)	15,511	49,135	31,367
Fund Cash Balances, January 1, restated	297,069	1,120,694	-	1,417,763
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Fund Cash Balances, December 31				
Restricted	-	1,136,205	49,135	1,185,340
Assigned	14,032	-	-	14,032
Unassigned	249,758	-	-	249,758
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<u>\$ 263,790</u>	<u>\$ 1,136,205</u>	<u>\$ 49,135</u>	<u>\$ 1,449,130</u>

**Kinsman Township**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Kinsman Township, Trumbull County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general governmental services such as road and bridge maintenance, cemetery maintenance, police protections, fire protection and emergency medical services.

***Public Entity Risk Pool***

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 which are organized on a fund type basis.

***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 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*** The road and bridge fund accounts for and reports the receipt of property tax money for the purpose of constructing, maintaining, and repairing Township roads.

***Gasoline Tax Fund*** The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***Motor Vehicle 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.

**Kinsman Township**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

***Police Levy Fund*** The police levy fund accounts for and reports the receipt of property tax money for the purpose of providing police protection to the residents of the Township.

***Fire Levy Fund*** The fire levy fund accounts for and reports the receipt of property tax money for the purpose of providing fire protection services to the residents of the Township.

***Fire/EMS Levy Fund*** The fire/EMS levy fund accounts for and reports the receipt of property tax money for the purpose of providing fire protection and ambulance services to the residents of the Township.

***Capital Project Funds*** These funds account for and report financial resources that are restricted 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:

***Capital Equipment FEMA Fund*** The capital equipment FEMA fund accounts for and reports the receipt of a FEMA grant for the purpose of purchasing equipment for the fire department.

***Capital Project Park Fund*** The capital project park fund accounts for and reports the receipt of federal and state grants as well as donations for the purpose of building and equipping a park restroom/concession facility.

***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 disbursements 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 disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the 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 (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

**Kinsman Township**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

**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 2016 and 2015 budgetary activity appears in Note 3.

**Deposits and Investments**

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

The Township values U.S. certificates of deposit at cost. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**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.

**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.

**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.

**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.

**Kinsman Township**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

**Note 2 - Summary of Significant Accounting Policies (continued)**

**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. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated resources and appropriations in the subsequent year's appropriated budget.

**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 – Budgetary Activity**

Budgetary activity for the years ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 103,608	\$ 120,783	\$ 17,175
Special Revenue	510,921	508,161	(2,760)
Capital Projects	258,279	245,673	(12,606)

2016 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 379,532	\$ 188,328	\$ 191,204
Special Revenue	1,491,335	542,912	948,423
Capital Projects	307,414	290,460	16,954

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 110,415	\$ 126,834	\$ 16,419
Special Revenue	427,165	442,195	15,030
Capital Projects	49,135	49,135	-

**Kinsman Township**  
*Trumbull County*  
*Notes to the Financial Statements*  
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**Note 3 – Budgetary Activity (continued)**

2015 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 381,000	\$ 174,145	\$ 206,855
Special Revenue	1,421,400	433,219	988,181
Capital Projects	49,135	-	49,135

**Note 4 – 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:

	2016	2015
Demand deposits	\$ 266,768	\$ 303,928
STAR Plus	402,749	500,940
Total deposits	669,517	804,868
CDARS	400,000	400,000
STAR Ohio	245,571	244,262
Total investments	645,571	644,262
Total deposits and investments	\$ 1,315,088	\$ 1,449,130

***Deposits***

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

***Investments***

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**Note 5 – 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 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.

**Kinsman Township**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 5 – Property Taxes (continued)**

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

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

**Note 6 - Interfund Balances**

Outstanding advances at December 31, 2016, consisted of \$42,057 advanced to the Capital Project Park Fund to provide working capital for the project until pledged donations and reimbursement grants are received.

**Note 7 - Risk Management**

***Risk Pool Membership***

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), 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, 2016 and 2015, 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, 2016 and 2015.

**Kinsman Township**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

**Note 7 - Risk Management (continued)**

	<b>2016</b>	<b>2015</b>
Assets	\$38,473,283	\$37,313,311
Liabilities	8,244,140	8,418,518
Net Position	\$30,229,143	\$28,894,793

At December 31, 2016 and 2015, respectively, the liabilities above include approximately \$7.4 and \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$6.9 and \$7.7 million of unpaid claims to be billed to approximately 1,010 and 989 member governments in the future, as of December 31, 2016 and 2015, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$9,000.

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.

<b><u>Contributions to OTARMA</u></b>	
<b><u>2016</u></b>	<b><u>2015</u></b>
\$19,747	\$19,035

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.

**Note 8 - Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

All Township 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. OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.



**Kinsman Township**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**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. OPERS contributes 2% of the employer contribution to fund these benefits.

**Note 10 – Contingent Liabilities**

Management believes there are no pending claims or lawsuits.

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 11 – Compliance**

Contrary to Ohio Rev. Code Section 5705.39, the Township’s appropriations exceeded total resources in the General Fund and Capital Project Park Fund by \$12,134 and \$12,616, respectively, during 2016.

**Note 12 – Transfers**

During 2016, the Township transferred \$38,339 from the General Fund to the Capital Project Park Fund to provide matching funds for the grant received during the year.

**Note 13 – Prior Period Adjustment**

A prior period adjustment was necessary to properly reflect the Zoning Fund activity in the General Fund and to properly reflect the Special Assessments received in a restricted Special Revenue Fund. The following table shows the changes to beginning fund balance:

	General	Special Revenue
Fund Balance, January 1, 2015	\$ 297,105	\$ 1,120,658
Zoning Fund	7,355	(7,355)
Special Assessments	(7,391)	7,391
Restated Fund Balance, January 1, 2015	<u>\$ 297,069</u>	<u>\$ 1,120,694</u>

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

Kinsman Township  
Trumbull County  
7890 State Route 5  
PO Box 399  
Kinsman, Ohio 44428

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 Kinsman Township, Trumbull County (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated May 24, 2017, 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 opinions 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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2016-002.

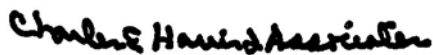
We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 24, 2017.

***Entity's Responses to Findings***

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

***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.



***Charles E. Harris and Associates, Inc.***  
May 24, 2017

**Kinsman Township**  
**Trumbull County**  
*Schedule of Findings*  
*December 31, 2016 and 2015*

<b>Findings Related to the Financial Statements</b> <b>Required to be Reported in Accordance with GAGAS</b>
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**Finding Number: 2016-001 – Material Weakness**

**Audit Adjustments and Reclassifications**

During audit procedures performed, errors were noted in the Township’s financial statements that required audit adjustments and reclassifications as follows:

- The receipt of a fire grant was incorrectly posted as a Miscellaneous revenue instead of an Intergovernmental revenue.
- The receipt of a Special Assessment for street lighting and the corresponding utility payments were posted to the General Fund instead of a Special Revenue fund.
- The Zoning Fund was incorrectly classified as a Special Revenue Fund instead of rolling into the General Fund.

The accompanying financial statements and the Township’s records have been adjusted to properly reflect these transactions.

Sound financial reporting is the responsibility of the Township and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Township adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use the Ohio Township Handbook, the Uniform Accounting Network Manual, and other Auditor of State guidance to aid in properly identifying account classifications and preparing annual financial statements.

**Management’s Response:**

See Corrective Action Plan on page 17.

**Finding Number: 2016-002 – Material Noncompliance**

**Appropriations Exceeding Estimated Resources**

Ohio Rev. Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.

During 2016, appropriations exceeded estimated resources in the General Fund and Capital Project Park Fund by \$12,134 and \$12,616, respectively.

We recommend that the Township monitor its budget closely to prevent appropriations from exceeding estimated resources. Also, we recommend that the Township ensure that certification of estimated resources is completed accurately and posted into the accounting system in a timely manner.

**Management’s Response:**

See Corrective Action Plan on page 17.

**Kinsman Township**  
**Trumbull County**  
*Schedule of Prior Audit Findings*  
*For the Years Ended December 31, 2016 and 2015*

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Audit Adjustments and Reclassifications	Not Corrected	Management changed accounting systems during the audit period, but did not implement the recommendations from the prior audit. Management plans to use more care in completing the financial statements in the future and will review all postings prior to filing in the future.

**Kinsman Township**  
**Trumbull County**  
*Corrective Action Plan*  
*December 31, 2016 and 2015*

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	Management plans to use more care in completing the financial statements in the future and will review all postings prior to filing in the future.	June 1, 2017	Marge Crupi, Fiscal Officer



# Dave Yost • Auditor of State

**KINSMAN TOWNSHIP**

**TRUMBULL 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  
JULY 11, 2017**