



Dave Yost • Auditor of State

VILLAGE OF KINGSTON
ROSS COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Kingston
Ross County
28 Main Street
PO Box 92
Kingston, Ohio 45644

To the Village Council:

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 Village of Kingston, Ross County, (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village'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 Village'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 1 of the financial statements, the Village 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 Village 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 Village as of December 31, 2014 and 2013, or changes in financial position or cash flows 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 Village of Kingston, Ross County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2016, on our consideration of the Village'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 Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

April 16, 2016

**VILLAGE OF KINGSTON
ROSS COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$12,111	\$3,988	\$16,099
Intergovernmental	41,391	46,269	87,660
Fines, Licenses and Permits	350	0	350
Earnings on Investments	6,705	2,216	8,921
Miscellaneous	192	400	592
<i>Total Cash Receipts</i>	<u>60,749</u>	<u>52,873</u>	<u>113,622</u>
Cash Disbursements			
Current:			
Security of Persons and Property	8,200	0	8,200
Leisure Time Activities	0	7,577	7,577
Community Environment	12,700	0	12,700
Basic Utility Services	23,439	0	23,439
Transportation	0	10,892	10,892
General Government	63,369	0	63,369
Capital Outlay	0	16,800	16,800
<i>Total Cash Disbursements</i>	<u>107,708</u>	<u>35,269</u>	<u>142,977</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(46,959)</u>	<u>17,604</u>	<u>(29,355)</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	8,129	0	8,129
Other Financing Uses	(195,431)	0	(195,431)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(187,302)</u>	<u>0</u>	<u>(187,302)</u>
<i>Net Change in Fund Cash Balances</i>	(234,261)	17,604	(216,657)
<i>Fund Cash Balances, January 1</i>	<u>391,043</u>	<u>502,975</u>	<u>894,018</u>
Fund Cash Balances, December 31			
Restricted	0	520,579	520,579
Assigned	72,670	0	72,670
Unassigned (Deficit)	84,112	0	84,112
<i>Fund Cash Balances, December 31</i>	<u>\$156,782</u>	<u>\$520,579</u>	<u>\$677,361</u>

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

**VILLAGE OF KINGSTON
ROSS COUNTY**

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

	Enterprise
Operating Cash Receipts	
Charges for Services	\$304,083
Miscellaneous	1,308
	<u>305,391</u>
<i>Total Operating Cash Receipts</i>	<u>305,391</u>
Operating Cash Disbursements	
Personal Services	55,001
Contractual Services	67,954
Supplies and Materials	30,466
	<u>153,421</u>
<i>Total Operating Cash Disbursements</i>	<u>153,421</u>
<i>Operating Income (Loss)</i>	<u>151,970</u>
Non-Operating Receipts (Disbursements)	
Special Assessments	153,361
Other Debt Proceeds	308,250
Capital Outlay	(153,530)
Principal Retirement	(261,382)
Interest and Other Fiscal Charges	(18,474)
Other Financing Sources	736
	<u>28,961</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>28,961</u>
<i>Net Change in Fund Cash Balances</i>	180,931
<i>Fund Cash Balances, January 1</i>	<u>242,486</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$423,417</u></u>

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

**VILLAGE OF KINGSTON
ROSS COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$16,435	\$4,388	\$20,823
Intergovernmental	107,421	45,399	152,820
Fines, Licenses and Permits	350	0	350
Earnings on Investments	8,537	134	8,671
Miscellaneous	4,557	548	5,105
<i>Total Cash Receipts</i>	<u>137,300</u>	<u>50,469</u>	<u>187,769</u>
Cash Disbursements			
Current:			
Security of Persons and Property	8,824	0	8,824
Leisure Time Activities	0	2,915	2,915
Community Environment	3,264	0	3,264
Transportation	0	15,101	15,101
General Government	60,273	0	60,273
Capital Outlay	0	7,000	7,000
<i>Total Cash Disbursements</i>	<u>72,361</u>	<u>25,016</u>	<u>97,377</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>64,939</u>	<u>25,453</u>	<u>90,392</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	19,074	0	19,074
<i>Total Other Financing Receipts (Disbursements)</i>	<u>19,074</u>	<u>0</u>	<u>19,074</u>
<i>Net Change in Fund Cash Balances</i>	84,013	25,453	109,466
<i>Fund Cash Balances, January 1</i>	<u>307,030</u>	<u>477,522</u>	<u>784,552</u>
Fund Cash Balances, December 31			
Restricted	0	502,975	502,975
Assigned	249,779	0	249,779
Unassigned (Deficit)	141,264	0	141,264
<i>Fund Cash Balances, December 31</i>	<u>\$391,043</u>	<u>\$502,975</u>	<u>\$894,018</u>

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

**VILLAGE OF KINGSTON
ROSS COUNTY**

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

	Enterprise
Operating Cash Receipts	
Charges for Services	\$289,050
Miscellaneous	1,424
	<u>290,474</u>
<i>Total Operating Cash Receipts</i>	<u>290,474</u>
Operating Cash Disbursements	
Personal Services	52,164
Contractual Services	135,344
Supplies and Materials	36,953
	<u>224,461</u>
<i>Total Operating Cash Disbursements</i>	<u>224,461</u>
<i>Operating Income (Loss)</i>	<u>66,013</u>
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	8,408
Special Assessments	153,458
Other Debt Proceeds	36,198
Capital Outlay	(38,638)
Principal Retirement	(288,647)
Interest and Other Fiscal Charges	(30,297)
	<u>(159,518)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(159,518)</u>
<i>Net Change in Fund Cash Balances</i>	(93,505)
<i>Fund Cash Balances, January 1</i>	<u>335,991</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$242,486</u></u>

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

**VILLAGE OF KINGSTON
ROSS COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Kingston, Ross County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and park operations. The Village contracts with the Ross County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF KINGSTON
ROSS COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

Park and Recreation Fund – This fund receives donations and property tax revenue to fund construction and maintenance of the park

State Highway Fund – This fund receives gasoline and license tax money to repair Village streets

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Water Debt Service Fund - This fund receives utility surcharges from customers for the payment of loans obtained through the Ohio Water Development Authority (OWDA) and the Ohio Public Works Commission (OPWC).

Sewer Debt Service Fund - This fund receives utility surcharges from customers for the payment of loans obtained through the Ohio Water Development Authority (OWDA) and the Ohio Public Works Commission (OPWC).

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

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

VILLAGE OF KINGSTON
ROSS COUNTY

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

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

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

1. **Nonspendable**

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

2. **Restricted**

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

3. **Committed**

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

4. **Assigned**

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

5. **Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

**VILLAGE OF KINGSTON
ROSS COUNTY**

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

2. Equity in Pooled Deposits and Investments

The Village 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:

	2014	2013
Demand deposits	\$432,221	\$476,454
Certificates of deposit	668,557	660,050
Total deposits	1,100,778	1,136,504

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

3. Budgetary Activity

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

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,974	\$68,878	\$21,904
Special Revenue	41,624	52,873	11,249
Enterprise	552,054	767,738	215,684
Total	\$640,652	\$889,489	\$248,837

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$389,500	\$306,031	\$83,469
Special Revenue	314,500	35,269	279,231
Enterprise	684,291	586,807	97,484
Total	\$1,388,291	\$928,107	\$460,184

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$52,525	\$156,374	\$103,849
Special Revenue	42,687	50,469	7,782
Enterprise	590,500	488,538	(101,962)
Total	\$685,712	\$695,381	\$9,669

**VILLAGE OF KINGSTON
ROSS COUNTY**

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

3. Budgetary Activity (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$287,500	\$72,984	\$214,516
Special Revenue	116,000	25,016	90,984
Enterprise	772,312	582,043	190,269
Total	\$1,175,812	\$680,043	\$495,769

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council 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.

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

5. Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
OPWC Loan C038F	\$128,700	0.00%
OWDA Loan 3012	\$107,024	6.61%
OWDA Loan 4979	\$79,789	2.00%
OPWC CT28P	\$180,599	0.00%
OWDA Loan 6743	157,622	4.40%
Total	\$653,734	

The Ohio Water Development Authority (OWDA) and the Ohio Public Works Commission (OPWC) loans were issued to the Village to finance expansion and improvements of the water and sewer facilities and to meet standards regulated by the Ohio Environmental Protection Agency.

The loans are secured by the water and sewer surcharges assessed to utility users. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

**VILLAGE OF KINGSTON
ROSS COUNTY**

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

5. Debt (Continued)

Year ending December 31:	OWDA Loan 3012	OWDA Loan 4979	OWDA Loan 6743	OPWC Loan C038F	OPWC Loan CT28P
2015	\$20,248	\$4,104	\$19,548	\$11,700	\$3,114
2016	40,495	6,563	39,096	23,400	6,227
2017	40,495	6,563	39,096	23,400	6,227
2018	20,248	6,562	39,096	23,400	6,227
2019	0	6,562	39,096	23,400	6,227
2020-2024	0	32,813	19,547	23,400	31,138
2025-2029	0	29,532	19,547	0	31,138
2030-2034	0	0	0	0	31,138
2035-2039	0	0	0	0	31,138
2040-2044	0	0	0	0	28,024
Total	<u>\$121,486</u>	<u>\$92,699</u>	<u>\$215,026</u>	<u>\$128,700</u>	<u>\$180,598</u>

6. Retirement Systems

The Village's full-time 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 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

7. Risk Management

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

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2014, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

**VILLAGE OF KINGSTON
ROSS COUNTY**

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

7. Risk Management (Continued)

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2014

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	<u>(12,760,194)</u>	<u>(12,363,257)</u>
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately 11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$8,000.

Based on discussions with PEP, the expected rates PEP 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 PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2013</u>	<u>2014</u>
\$11,572	\$12,012

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP 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 PEP. 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.

**VILLAGE OF KINGSTON
ROSS COUNTY**

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

8. Related Party Transactions

The Village Fiscal Officer is owner of a company which was previously owned by the Village Mayor from which the Village acquired tires and other automotive supplies during 2013 and 2014. The Village paid \$116 in 2013 and \$705 in 2014 for these acquisitions.

9. Subsequent Event

On February 9, 2016, the Village entered into an agreement with United States Department of Agriculture to proceed with a water line replacement project. Project funding will consist of a \$1,064,900 grant and a \$1,715,000 loan.



Dave Yost • Auditor of State

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

Village of Kingston
Ross County
28 Main Street
PO Box 92
Kingston, Ohio 45644

To the Village Council:

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 the Village of Kingston, Ross County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated April 14, 2016 wherein we noted the Village 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 Village'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 Village'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 Village'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 findings that we consider material weaknesses. We consider findings 2014-001 and 2014-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-003.

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 Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

April 14, 2016

**VILLAGE OF KINGSTON
ROSS COUNTY**

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

FINDING NUMBER 2014-001

Material Weakness

Accurate reconciliation procedures are a key component of an effective accounting system required to enable the Village to properly classify transactions, maintain accountability for funds, distribute funds accurately, and detect fraud and errors in a timely manner.

We noted the following reconciling issues:

- Bank reconciliations Other Adjusting Factors during the audit period as large as \$135,770.
- The December 2014 outstanding check list included two checks totaling \$1,133 that cleared the bank in December 2014.
- The bank reconciliations were not provided to Council at their regular monthly meetings for review and approval.
- Posting of disbursements and receipts was not done on a timely basis. In 2014, disbursement and receipt transactions not posted timely to the accounting system were as large as \$164,806, and certain transactions were not posted to the accounting system for ten months during 2013. In 2013, disbursement and receipt transactions not posted to the accounting system were as large as \$284,367, and certain transactions were not posted to the accounting system for eleven months.

After correcting for the above posting errors in the Village's accounting system and financial statements, the Village accounting balances do not appear to reconcile to the bank balances in the amount of \$1,129. Untimely recording of transactions and inaccurate reconciliations reduce management's ability to monitor of Village assets and funds and increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

We recommend the Village address the above out of balance conditions and ensure that monthly reconciliations are performed timely and all variances between the book and the bank are identified and resolved during the reconciliation process. We also recommend that the monthly reconciliations be included in the financial packet presented to Council and that Council review and sign off on these reconciliations noting this review and approval. We further recommend that all transactions be posted to the accounting system timely.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2014-002

Material Weakness

Governments are required to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

We noted the following conditions related to the 2014 financial statements:

- Special assessment receipts were incorrectly posted as charges for service receipts in the Sewer Debt fund in the amount of \$153,361.

**FINDING NUMBER 2014-002
(Continued)**

- OWDA debt proceeds of the Water Debt fund were incorrectly posted as special assessments in the Water Operating fund in the amount of \$154,720.
- Ohio Public Works Commission funds were not properly posted as debt proceeds and capital outlay in the Water debt fund in the amount of \$153,530.
- Water Debt fund debt payments were incorrectly posted in the Sewer Operating fund in the amount of \$27,839 and in the Sewer Debt fund in the amount of \$19,219.
- Intergovernmental receipts for the Street Construction Maintenance and Repair fund and the State Highway fund were incorrectly posted in the General fund in the amounts of \$9,276 and \$752, respectively.
- Intergovernmental receipts for the State Highway fund were incorrectly posted to the Street Construction Maintenance and Repair fund in the amount of \$1,922.
- Intergovernmental receipts for the Street Construction Maintenance and Repair fund were incorrectly posted to the State Highway fund in the amount of \$3,193.
- Intergovernmental receipts were incorrectly posted as tax receipts in the General fund in the amount of \$2,948.
- Intergovernmental receipts in the General fund and the Street Construction and Maintenance fund were double posted in the amount of \$938 and \$11,528, respectively.
- Other financing sources for the Water Operating fund were incorrectly posted to the General fund in the amount of \$736.

Audit adjustments were made to the 2014 financial statements and the accounting system, where applicable.

We noted the following conditions related to the 2013 financial statements:

- Special assessment receipts for the Water Debt fund were incorrectly posted in the General fund in the amount of \$66,552.
- Special assessment receipts were incorrectly posted as charges for service receipts in the Sewer Debt fund in the amount of \$43,983 and in the Water Debt fund in the amount of \$43,923.
- Ohio Public Works Commission funds were not properly posted as debt proceeds and capital outlay in the Water debt fund in the amount of \$36,198.
- Sewer Debt fund debt payments were incorrectly posted in the General fund in the amount of \$60,000 and in the Water Debt fund in the amount of \$23,357.
- Intergovernmental receipts for the Street Construction Maintenance and Repair fund and the State Highway fund were incorrectly posted in the General fund in the amounts of \$10,823 and \$878, respectively.
- Intergovernmental receipts for the Street Construction Maintenance and Repair fund were incorrectly posted to the State Highway fund in the amount of \$5,665.

**FINDING NUMBER 2014-002
(Continued)**

- An intergovernmental receipt in the Street Construction and Maintenance fund was posted for \$86 too much.
- Assigned fund balance for encumbrances and future appropriations in the General fund of \$249,779 was incorrectly reported as unassigned fund balance.

Audit adjustments were made to the 2013 financial statements and the accounting system, where applicable.

We also noted the following conditions related to the Village's accounting system where no adjustments or reclassifications were made to the Village's financial statements.

- General fund interest was not posted to the Village's accounting system in the amount of \$176 for 2013 and \$120 for 2014.
- Intergovernmental receipts in the General fund of \$3,113 were incorrectly posted as tax receipts in 2013.
- Intergovernmental receipts in the Street Construction Maintenance and Repair fund were incorrectly posted to the State Highway fund in the amount of \$76 in 2013 and in the amount of \$231 in 2014.
- Donations were incorrectly posted as intergovernmental receipts in the Park and Recreation fund in the amount of \$200 in 2014.
- Assigned fund balance for encumbrances in the General fund of \$1,255 was incorrectly reported as unassigned fund balance.
- Miscellaneous receipts in the Water fund were incorrectly posted in the General fund in the amount of \$156.

Failure to accurately post and report transactions could result in material errors in the Village's financial statements and reduces the Village's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the Village.

We recommend that the Village accurately record financial transactions.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2014-003

Noncompliance

Ohio Rev. Code, Section 149.351, requires that all records that are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Rev. Code Sections 149.38 through 149.42. Maintaining organized documentation and support for financial transactions is essential in assuring the Village's financial statements are accurately presented and that all disbursements are made for a proper public purpose.

FINDING NUMBER 2014-003
(Continued)

We noted the following issues regarding the organization of financial records and the underlying documentation and support of financial transactions:

For 2014: we noted the Village did not maintain records to support three payments to vendors, payroll ordinances, 941 reports, and the 4th quarter Ohio tax report.

For 2013: we noted the Village did not maintain records to support two payments to vendors, individual receipts for credit card purchases, support for one receipt, payroll ordinances, 941 reports, December OPERS report, and the 4th quarter Ohio tax report.

We performed alternate audit procedures to ensure the accuracy of the financial statements and that payments were made for proper public purposes. However failure to maintain organized underlying documentation to support financial transactions can increase the risk of fraud, inaccurate financial statements, and disbursements that are not for a proper public purpose.

We recommended the Village maintain records supporting its financial transactions in an orderly manner to support all transactions.

Officials' Response:

We did not receive a response from Officials to this finding.

**VILLAGE OF KINGSTON
ROSS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 and 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Posting Errors	No	Reissued as 2014-002
2012-002	ORC 149.351, Destruction of Records	No	Reissued as 2014-003
2012-003	Integration of budgetary data into accounting system.	Yes	
2012-004	ORC 5705.10 (D) – posting restricted revenue.	No	Reissued as part of 2014-002

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Dave Yost • Auditor of State

VILLAGE OF KINGSTON

ROSS 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
MAY 10, 2016