



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, P.O. Box 92
Kingston, Ohio 45644

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Kingston, Ross County, Ohio (the Village) as of and for the years ended December 31, 2012 and 2011.

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 opinion.

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

As described in Note 1B 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, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012 and 2011, 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 the Village of Kingston, Ross County, Ohio as of December 31, 2012 and 2011, 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 1B.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011, the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2014, 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

October 3, 2014

**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, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 14,128	\$ 11,601	\$ 25,729
Intergovernmental	35,985	36,534	72,519
Fines, Licenses and Permits	175	-	175
Earnings on Investments	7,434	1,759	9,193
Miscellaneous	2,345	301	2,646
<i>Total Cash Receipts</i>	<u>60,067</u>	<u>50,195</u>	<u>110,262</u>
Cash Disbursements			
Current:			
Security of Persons and Property	7,785	-	7,785
Leisure Time Activities	-	6,735	6,735
Community Environment	2,615	-	2,615
Transportation	-	6,588	6,588
General Government	53,275	-	53,275
<i>Total Cash Disbursements</i>	<u>63,675</u>	<u>13,323</u>	<u>76,998</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,608)</u>	<u>36,872</u>	<u>33,264</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	-	2,100	2,100
Transfers Out	(1,313)	-	(1,313)
Other Financing Uses	(25)	-	(25)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,338)</u>	<u>2,100</u>	<u>762</u>
<i>Net Change in Fund Cash Balances</i>	(4,946)	38,972	34,026
<i>Fund Cash Balances, January 1</i>	<u>311,976</u>	<u>438,550</u>	<u>750,526</u>
Fund Cash Balances, December 31			
Restricted	-	459,828	459,828
Committed	-	17,694	17,694
Unassigned (Deficit)	307,030	-	307,030
<i>Fund Cash Balances, December 31</i>	<u>\$ 307,030</u>	<u>\$ 477,522</u>	<u>\$ 784,552</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 PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 300,818
Miscellaneous	3,808
<i>Total Operating Cash Receipts</i>	304,626
Operating Cash Disbursements	
Personal Services	56,892
Contractual Services	95,836
Supplies and Materials	47,248
<i>Total Operating Cash Disbursements</i>	199,976
<i>Operating Income (Loss)</i>	104,650
Non-Operating Receipts (Disbursements)	
Special Assessments	139,941
Principal Retirement	(353,627)
Interest and Other Fiscal Charges	(66,600)
<i>Total Non-Operating Receipts (Disbursements)</i>	(280,286)
<i>Income (Loss) before Transfers</i>	(175,636)
Transfers In	125,130
Transfers Out	(123,817)
<i>Net Change in Fund Cash Balances</i>	(174,323)
<i>Fund Cash Balances, January 1</i>	510,314
<i>Fund Cash Balances, December 31</i>	\$ 335,991

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, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 14,643	\$ 11,285	\$ 25,928
Intergovernmental	71,252	36,313	107,565
Fines, Licenses and Permits	350	-	350
Earnings on Investments	7,651	1,493	9,144
Miscellaneous	3,752	5,099	8,851
<i>Total Cash Receipts</i>	<u>97,648</u>	<u>54,190</u>	<u>151,838</u>
Cash Disbursements			
Current:			
Security of Persons and Property	8,049	-	8,049
Leisure Time Activities	-	4,948	4,948
Community Environment	2,804	-	2,804
Basic Utility Services	11,948	-	11,948
Transportation	-	12,204	12,204
General Government	61,067	-	61,067
<i>Total Cash Disbursements</i>	<u>83,868</u>	<u>17,152</u>	<u>101,020</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>13,780</u>	<u>37,038</u>	<u>50,818</u>
Other Financing Receipts (Disbursements)			
Other Financing Uses	(1,475)	-	(1,475)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,475)</u>	<u>-</u>	<u>(1,475)</u>
<i>Net Change in Fund Cash Balances</i>	12,305	37,038	49,343
<i>Fund Cash Balances, January 1</i>	<u>299,671</u>	<u>401,512</u>	<u>701,183</u>
Fund Cash Balances, December 31			
Restricted	-	421,084	421,084
Committed	-	17,466	17,466
Unassigned (Deficit)	311,976	-	311,976
<i>Fund Cash Balances, December 31</i>	<u>\$ 311,976</u>	<u>\$ 438,550</u>	<u>\$ 750,526</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 PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 289,232
Miscellaneous	399
	<u>289,631</u>
<i>Total Operating Cash Receipts</i>	<u>289,631</u>
Operating Cash Disbursements	
Personal Services	62,331
Contractual Services	81,195
Supplies and Materials	47,360
	<u>190,886</u>
<i>Total Operating Cash Disbursements</i>	<u>190,886</u>
<i>Operating Income (Loss)</i>	<u>98,745</u>
Non-Operating Receipts (Disbursements)	
Special Assessments	147,078
Capital Outlay	(1,759)
Principal Retirement	(239,062)
Interest and Other Fiscal Charges	(57,348)
	<u>(151,091)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(151,091)</u>
<i>Net Change in Fund Cash Balances</i>	(52,346)
<i>Fund Cash Balances, January 1</i>	<u>562,660</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 510,314</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, 2012 AND 2011**

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, Ohio (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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village values certificates of deposit at cost.

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.

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

**VILLAGE OF KINGSTON
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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)

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).

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. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

VILLAGE OF KINGSTON
ROSS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances (Continued)

A summary of 2012 and 2011 budgetary activity appears in Note 4.

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.

**VILLAGE OF KINGSTON
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

2. Change in Accounting Principle

For fiscal year 2011, the Village has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

GASB Statement No. 54 addresses accounting and financial reporting standards for new categories for reporting fund balances and revises the definitions for governmental fund types. The implementation of GASB Statement No. 54 did not have a significant effect on the financial statements of the Village.

3. 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:

	2012	2011
Demand deposits	\$468,623	\$616,972
Certificates of deposit	651,920	643,868
Total deposits	\$1,120,543	\$1,260,840

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

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$71,829	\$60,067	(\$11,762)
Special Revenue	43,006	52,295	9,289
Enterprise	490,185	444,567	(45,618)
Total	\$605,020	\$556,929	(\$48,091)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$386,141	\$65,013	\$321,128
Special Revenue	442,300	13,323	428,977
Enterprise	971,633	620,203	351,430
Total	\$1,800,074	\$698,539	\$1,101,535

**VILLAGE OF KINGSTON
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$85,887	\$97,648	\$11,761
Special Revenue	42,092	54,190	12,098
Enterprise	475,908	436,709	(39,199)
Total	\$603,887	\$588,547	(\$15,340)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$350,959	\$85,343	\$265,616
Special Revenue	401,913	17,152	384,761
Enterprise	816,050	489,055	326,995
Total	\$1,568,922	\$591,550	\$977,372

5. 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.

6. Debt

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
OWDA Loan 2306	\$381,245	5.20%
OPWC Loan C038F	\$175,500	0.00%
OWDA Loan 3012	167,778	6.61%
OWDA Loan 4979	93,534	2.00%
OPWC Loan C0441	11,205	0.00%
Total	\$724,523	

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

**VILLAGE OF KINGSTON
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Debt (Continued)

Ohio Water Development Authority loan 4979 relates to radio-read meters. The OWDA approved up to \$113,825 in loans to the Village for this project. The Village will repay the loans in semi-annual installments of \$3,467, including interest, over 20 years. The scheduled payment amounts below assume that \$113,825 will be borrowed. The OWDA will adjust the scheduled payments to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loan.

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:

Year Ended December 31:	OWDA Loan 2306	OPWC Loan C038F	OWDA Loan 3012	OWDA Loan 4979	OPWC Loan C0441
2013	\$203,172	\$23,400	\$40,494	\$6,934	\$11,205
2014	203,172	23,400	40,494	6,934	0
2015	101,586	23,400	40,494	6,934	0
2016	0	23,400	40,494	6,934	0
2017	0	23,400	40,494	6,934	0
2018-2022	0	58,500	20,247	34,670	0
2023-2027	0	0	0	34,670	0
2028-2032	0	0	0	17,335	0
Total	<u>\$507,930</u>	<u>\$175,500</u>	<u>\$222,717</u>	<u>\$121,345</u>	<u>\$11,205</u>

7. Retirement Systems

The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

8. 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.

**VILLAGE OF KINGSTON
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Risk Management (Continued)

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, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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 retained earnings at December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	(14,187,273)	(14,320,812)
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Village's share of these unpaid claims collectible in future years is approximately \$9,056.

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>2011</u>	<u>2010</u>
\$9,843	\$9,539

**VILLAGE OF KINGSTON
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Risk Management (Continued)

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.



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, P.O. 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 Village of Kingston, Ross County, Ohio, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated October 3, 2014 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 during 2011, the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*

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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2012-001 and 2012-004 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-002 and 2012-003 described in the accompanying schedule of findings to be significant deficiencies.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-002 and 2012-004.

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.



Dave Yost
Auditor of State
Columbus, Ohio

October 3, 2014

**VILLAGE OF KINGSTON
ROSS COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-001

**Financial Statement Adjustments
Material Weakness**

Sound financial reporting is the responsibility of the Fiscal Officer and the Village Council and is essential to ensure information provided to the readers of the financial statements is complete and accurate. The following audit adjustments were made to the December 31, 2012 financial statements and the Village's accounting system, where applicable:

- Adjustment for \$2,048 in the General Fund and \$647 in the Special Revenue funds to increase Earnings on Investments to record interest not posted.
- Reclassification of \$7,419 within the Special Revenue funds to reduce Intergovernmental Receipts and increase Property and Other Local Taxes.
- Reclassification of \$2,100 within the Special Revenue funds to reduce Miscellaneous Receipts and increase Sale of Assets.
- Reclassification within the Enterprise funds to reduce Property and Other Local Taxes by \$145,754 and increase Charges for Services by \$5,813 and Special Assessments by \$139,941 to properly classify receipts.
- An entry within the Enterprise funds to decrease Principal and Interest expenditures and Charges for Services receipts by \$158,442 to correct overstatement of receipts and expenditures.
- Reclassification of \$22,231 of Other Debt Payments to Principal and Interest in the Water Fund.

The following audit adjustments were made to the December 31, 2011 financial statements and the Village's accounting system, where applicable:

- Adjustment to increase the beginning fund balance in the Special Revenue Funds and decrease the beginning balance in the General Fund by \$21,912 to correct beginning balances for prior audit adjustments provided to management and posted to the prior audited financial statements but not posted to the Village's accounting system.
- Adjustment to decrease Property & Other Local Taxes in the General Fund and increase Property & Other Local Taxes in the Special Revenue Funds by \$3,381 to properly allocate a portion of property tax receipts to the correct funds.
- Adjustment to decrease Miscellaneous Revenue in the General Fund and increase Miscellaneous Revenue in the Special Revenue funds by of \$5,000.
- Reclassification entry within the Special Revenue funds of \$3,575 to reduce Intergovernmental Revenue and increase Property and Other Local Taxes.
- An entry within the Special Revenue funds for \$17,466 to reclassify Restricted fund balances to Committed.
- Reclassification entry within the Enterprise funds to reduce Property and Other Local Taxes by \$158,515 and increase Charges for Services by \$11,437, and Special Assessments by \$147,078 to properly classify receipts.

The adjustments and reclassifications identified above should be reviewed by the Fiscal Officer to ensure that similar errors are not reported on financial statements in subsequent years. In addition, we recommend the Village adopt procedures for the review of the activity posted to the accounting records and financial statements.

**VILLAGE OF KINGSTON
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-002

**Support for Financial Transactions
Material Non-Compliance/Significant Deficiency**

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 expenditures are made for a proper public purpose.

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

For 2012 we noted the Village did not maintain records to support three payments to vendors, timesheets supporting an employee's payroll, four canceled checks and ten voided checks. We also noted nine voided checks maintained that were not marked "void" and six voided checks that actually cleared the bank account.

For 2011 we noted the Village did not maintain records to support one payment to a vendor, timesheets supporting two employees' payrolls, twenty-one canceled checks and ten voided checks. We also noted seventeen checks that were marked void that actually cleared the bank account.

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 expenditures 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.

FINDING NUMBER 2012-003

**Budgetary Integration
Significant Deficiency**

The Village Council relies on periodic reporting containing data from the accounting system to make informed decisions regarding amending the Village's budget; this monitoring also allows the Council to fulfill its responsibility of ensuring actual expenditures do not exceed appropriations at the Village's legal level of control.

The appropriations in the Village's accounting system at any given time should always agree to the amounts contained within the most recent appropriation measure or amendment adopted by the Village Council and filed with the County Budget Commission.

**VILLAGE OF KINGSTON
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-003 (Continued)

**Budgetary Integration
Significant Deficiency (Continued)**

At December 31, we noted the appropriations in the Village's accounting system did not agree to the most recent appropriation measure approved by Village Council and filed with the County Budget Commission as follows:

Year	Fund	Appropriations Adopted by Village Council	Appropriations per Accounting System	Variance
2012	General Fund	\$ 386,141	\$ 141,374	\$ (244,767)
2012	SCMR Fund	388,630	14,162	(374,468)
2012	State Highway	32,598	1,967	(30,631)
2012	Parks & Recreation Fund	21,072	7,188	(13,884)
2012	Water Operating	180,263	216,349	36,086
2012	Sewer Operating	291,449	248,475	(42,974)
2012	Water Debt Service	148,391	181,862	33,471
2012	Sewer Debt Service	351,529	429,663	78,134
2011	General Fund	350,959	132,893	(218,066)
2011	SCMR Fund	354,668	13,749	(340,919)
2011	State Highway	30,683	1,910	(28,773)
2011	Parks & Recreation Fund	16,562	6,978	(9,584)
2011	Water Operating	183,036	117,814	(65,222)
2011	Sewer Operating	280,884	124,733	(156,151)
2011	Water Debt Service	113,068	87,074	(25,994)
2011	Sewer Debt Service	239,061	233,362	(5,699)

Differences between the official budget amounts and the amounts in the accounting system such as above result in inaccurate amounts in system-generated reports used for monitoring purposes by management and the Village Council. These differences can also result in misstatements of amounts disclosed in the notes to the financial statements.

We recommend the Fiscal Officer update the Village's accounting system as appropriations are approved by Council and filed with the County Budget Commission. This will enable management and the Village Council to effectively fulfill its monitoring and to make informed decisions as well as ensure accurate budgetary information is reported in the Village's notes to the financial statements.

**VILLAGE OF KINGSTON
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-004

**Posting of Restricted Revenue
Material Non-Compliance/Material Weakness**

Ohio Rev. Code Section 5705.10(D) states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

We noted in 2012 the Village posted \$3,201 of motor vehicle/gas tax receipts to the General Fund, and paid \$14,914 of Sewer Fund debt service expenditures from the Water Fund.

In 2011 the Village posted \$3,381 of motor vehicle/gas tax receipts and a \$5,000 receipt intended for a Special Revenue Fund to the General Fund, and paid \$11,205 of Sewer debt service expenditures from the Water Fund.

The Village's financial statements and accounting records have been adjusted to correct these transactions.

We recommend the Fiscal Officer ensure restricted funds received are posted to the correct funds.

Officials' Response:

We didn't receive any official response for the above comments.

**VILLAGE OF KINGSTON
ROSS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Financial Statement Adjustments – Several audit adjustments were required.	Not corrected	Re-issued as finding 2012-001
2010-002	ORC 5705.41(D)(1) – Certification of Funds Prior to Commitment	Fully Corrected	

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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
NOVEMBER 18, 2014**