



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

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VILLAGE OF KINGSTON  
ROSS COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2016 and 2015  
Fiscal Years Audited Under GAGAS: 2016 and 2015



# OHIO AUDITOR OF STATE KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the Village of Kingston, Ross County, prepared by BHM CPA Group, 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

## **Finding for Recovery**

**Ohio Admin. Code § 117-2-01(D)(5)** states that when public offices are designing their system of internal control that they should ensure that accounting records are properly designed and also verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The Village did not prepare timely and accurate bank reconciliations.

The following reconciling issues were noted:

- Incorrect bank balances were entered into the bank reconciliations in order to tie to the accounting system balance
- 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 both 2016 and 2015, disbursement and receipt transactions were not posted to the accounting system.
- Debt payments were not recorded in the accounting system.
- Property Tax and Motor Vehicle Taxes were not properly recorded in the proper funds.

The failure to timely record transactions and inaccurate reconciliations reduce management's ability to monitor the Village's assets and funds and increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

After accounting for these known posting errors, the reconciled bank balance does not equal the book balance at December 31, 2016. The book balance is \$3,215 higher than the reconciled bank balance.

In accordance with the forgoing facts and pursuant to Ohio Rev. Code §117.28, a finding for recovery is hereby issued against Brian Barr, Clerk-Treasurer and his bonding company, Travelers Casualty and Surety Company of America totaling \$3,215 for public money collected by and unaccounted for and in favor of the Village of Kingston.

### **Finding for Adjustment**

**Ohio Admin. Code § 117-2-01(D)(5)** states that when public offices are designing their system of internal control that they should ensure that accounting records are properly designed and also verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

**Ohio Rev. Code §5705.10(D)** requires all revenue derived from a source other than the general property tax and which the law prescribes, shall be used for a particular purpose is to be paid into a special fund.

Monies collected under **Ohio Rev. Code §§4501.04, 5735.23, and 5735.27** must be deposited into a special fund for the purpose of street construction and maintenance. This includes gas tax and license taxes distributed through the county.

The Village did not accurately record Property Tax, Motor Vehicle and License receipts in the proper funds in 2015 and 2016. The Village also did not record Ohio Water Development Authority (OWDA) debt payments in 2016.

The Village did not post adjustments to correct the accounting system or financial statements.

Had the Property Tax, Motor Vehicle and License receipts been properly recorded to the Street Construction Maintenance Repair Fund and the State Highway Fund, the effect for 2015 would be to increase the balance of the Street Construction Maintenance and Repair Fund by \$16,624, decrease the balance of the State Highway Fund by \$1,595, and decrease the General Fund by \$11,676. The effect for 2016 would be to increase the balance of the Street Construction Maintenance and Repair Fund by \$15,676, decrease the balance of the State Highway Fund by \$1,493, and decrease the General Fund by \$17,536. The fund balance for the General Fund in the accompanying financial statements as of December 31, 2015 should be \$133,312 and as of

December 31, 2016 should be \$109,205. The total fund balance for the Special Revenue funds in the accompanying financial statements as of December 31, 2015 should be \$543,141 and as of December 31, 2016 should be \$566,764.

Had the debt payments been properly recorded, the effect for 2016 would decrease the Water Debt Service fund by \$35,462. The Enterprise fund balance as of December 31, 2016 in the accompanying financial statements should be \$486,156.

In accordance with the forgoing facts, we hereby issue a finding for adjustment in the amount of \$29,212 against the General Fund and in the amount of \$3,088 against the State Highway Fund and in favor of the Street Construction Maintenance Repair Fund \$32,300. We also hereby issue a finding for adjustment in the amount of \$35,462 against the Water Debt Service Fund.

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



Keith Faber  
Auditor of State  
Columbus, Ohio

April 25, 2019

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**VILLAGE OF KINGSTON**  
**ROSS COUNTY, OHIO**  
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*For the Fiscal Years Ended 2016 and 2015*

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**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 were engaged to audit the accompanying financial statements of the cash balances, receipts, and disbursements by fund type and related notes of the Village of Kingston, Ross County, (the Village), 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 based on conducting the audit 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*.

Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

***Basis for Disclaimer of Opinion***

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, to satisfy requirements.

The Village's bank reconciliations had unsupported variances of \$38,673 and \$3,354 as of December 31, 2016 and 2015, respectively. In our sampling of transactions many posting errors were identified which provides evidence that other material errors could exist in the financial statements. Audit adjustments were proposed during the audit for known errors that were identified throughout completion of audit testing. The Village has not adjusted its financial statements for the following errors as of December 31, 2015. Intergovernmental receipts and property tax receipts in the general fund are overstated by \$6,650 and \$5,025. Special Revenue Funds intergovernmental receipts are understated by \$15,029. In the Enterprise funds special assessment receipts of \$74,772 are erroneously reported as charges for services.

The Village has not adjusted its financial statements for the following errors as of December 31, 2016. In the General Fund, Intergovernmental and Property Tax receipts are overstated by \$11,566, and \$3,725. Other Financing Sources are likewise overstated by \$2,243. In the Special Revenue funds intergovernmental receipts are understated by \$14,183. Special Assessments Receipts of \$52,530 are erroneously reported as charges for services in the Enterprise funds. Also, in the Enterprise funds, debt payments of \$35,462 were not reported.

Additionally, the Village's management did not provide written representation regarding the financial statements and Village activity for the audit period. We were unable to satisfy ourselves by other auditing procedures the adjustments necessary in respect to the elements making up the Combined Statements of Receipts, Disbursements, and Changes in Fund Balances as of December 31, 2016 and 2015.

***Disclaimer of Opinion***

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2018, on our consideration of the Village's internal control over financial reporting and on 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 Standard* in considering the Village's internal control over financial reporting and compliance.

*BHM CPA Group*

BHM CPA Group, Inc.  
Piketon, Ohio  
April 25, 2018

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**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, 2016**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 15,905	\$ 4,016	\$ 19,921
Intergovernmental	42,259	33,481	75,740
Fines, Licenses, and Permits	425	-	425
Earnings on Investments	9,315	-	9,315
Miscellaneous	-	612	612
	<u>67,904</u>	<u>38,109</u>	<u>106,013</u>
<b>Total Cash Receipts</b>			
	<u>67,904</u>	<u>38,109</u>	<u>106,013</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons & Property	5,722	-	5,722
Leisure Time Activities	-	5,335	5,335
Community Environment	17,206	-	17,206
Transportation	-	23,334	23,334
General Government	54,924	-	54,924
	<u>77,852</u>	<u>28,669</u>	<u>106,521</u>
<b>Total Cash Disbursements</b>			
	<u>77,852</u>	<u>28,669</u>	<u>106,521</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(9,948)	9,440	(508)
<b>Other Financing Receipts (Disbursements):</b>			
Other Sources	6,626	-	6,626
Other Uses	(3,251)	-	(3,251)
	<u>3,375</u>	<u>-</u>	<u>3,375</u>
<b>Total Other Financing Receipts (Disbursements)</b>			
	<u>3,375</u>	<u>-</u>	<u>3,375</u>
<i>Net Change in Fund Cash Balances</i>	(6,573)	9,440	2,867
Fund Cash Balances, January 1	<u>144,987</u>	<u>528,112</u>	<u>673,099</u>
Restricted	-	537,552	537,552
Assigned	49,591	-	49,591
Unassigned	88,823	-	88,823
	<u>88,823</u>	<u>-</u>	<u>88,823</u>
<b>Fund Cash Balances, December 31</b>			
	<u>\$ 138,414</u>	<u>\$ 537,552</u>	<u>\$ 675,966</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, 2016**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 281,122
Miscellaneous	10,432
Total Operating Cash Receipts	291,554
<b>Operating Cash Disbursements</b>	
Personal services	43,725
Contractual services	138,521
Supplies and Materials	39,654
Total Operating Cash Disbursements	221,900
<i>Operating Income (Loss)</i>	69,654
<b>Non-Operating Receipts (Disbursements)</b>	
Capital Outlay	(13,471)
Principal	(47,012)
Total Non-Operating Receipts (Disbursements)	(60,483)
<i>Income (Loss) Before Transfers</i>	9,171
<b>Transfers</b>	
Transfers-In	38,510
Transfers-Out	(38,510)
Total Transfers	-
<i>Net Change in Fund Cash Balances</i>	9,171
Fund Cash Balances, January 1	512,447
<b>Fund Cash Balances, December 31</b>	<b>\$ 521,618</b>

*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, 2015**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 16,762	\$ 3,845	\$ 20,607
Intergovernmental	37,979	33,132	71,111
Fines, Licenses, and Permits	250	-	250
Earnings on Investments	5,505	3,514	9,019
Miscellaneous	-	400	400
	<u>60,496</u>	<u>40,891</u>	<u>101,387</u>
<b>Total Cash Receipts</b>			
	<u>60,496</u>	<u>40,891</u>	<u>101,387</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons & Property	7,299	-	7,299
Leisure Time Activities	-	9,509	9,509
Community Environment	2,750	-	2,750
Transportation	-	15,831	15,831
General Government	60,910	8,018	68,928
	<u>70,959</u>	<u>33,358</u>	<u>104,317</u>
<b>Total Cash Disbursements</b>			
	<u>70,959</u>	<u>33,358</u>	<u>104,317</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(10,463)	7,533	(2,930)
<b>Other Financing Receipts (Disbursements):</b>			
Other Sources	113	-	113
Other Uses	(1,445)	-	(1,445)
	<u>(1,332)</u>	<u>-</u>	<u>(1,332)</u>
<b>Total Other Financing Receipts (Disbursements)</b>			
	<u>(1,332)</u>	<u>-</u>	<u>(1,332)</u>
<i>Net Change in Fund Cash Balances</i>	(11,795)	7,533	(4,262)
Fund Cash Balances, January 1	<u>156,782</u>	<u>520,579</u>	<u>677,361</u>
Restricted	-	528,112	528,112
Unassigned	144,987	-	144,987
	<u>144,987</u>	<u>528,112</u>	<u>673,099</u>
<b>Fund Cash Balances, December 31</b>			
	<u>\$ 144,987</u>	<u>\$ 528,112</u>	<u>\$ 673,099</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, 2015**

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 307,354
Miscellaneous	<u>569</u>
Total Operating Cash Receipts	<u>307,923</u>
<b>Operating Cash Disbursements</b>	
Personal Services	48,062
Contractual Services	52,306
Supplies and Materials	<u>36,554</u>
Total Operating Cash Disbursements	<u>136,922</u>
<i>Operating Income (Loss)</i>	171,001
<b>Non-Operating Receipts (Disbursements)</b>	
Special Assessments	3,980
Capital Outlay	(7,116)
Principal	<u>(78,835)</u>
Total Non-Operating Receipts (Disbursements)	<u>(81,971)</u>
<i>Net Change in Fund Cash Balances</i>	89,030
Fund Cash Balances, January 1	<u>423,417</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 512,447</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, 2016 AND 2015**

**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.

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

**VILLAGE OF KINGSTON  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**1. Summary of Significant Accounting Policies**

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

**VILLAGE OF KINGSTON  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**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, 2016 AND 2015**

**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:

	2016	2015
Demand deposits	\$551,048	\$508,313
Certificates of deposit	685,046	677,233
Total deposits	1,236,094	1,185,546

**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, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$59,451	\$74,530	\$15,079
Special Revenue	60,869	38,109	(22,760)
Enterprise	451,438	291,554	(159,884)
Total	\$571,758	\$404,193	(\$167,565)

2016 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$205,837	\$81,103	\$124,734
Special Revenue	522,234	28,669	493,565
Enterprise	884,510	282,383	602,127
Total	\$1,612,581	\$392,155	\$1,220,426

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$82,036	\$60,609	(\$21,427)
Special Revenue	43,825	40,891	(2,934)
Enterprise	401,500	311,903	(89,597)
Total	\$527,361	\$413,403	(\$113,958)

**VILLAGE OF KINGSTON  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**3. Budgetary Activity (Continued)**

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$81,150	\$72,404	\$8,746
Special Revenue	307,034	33,358	273,676
Enterprise	514,342	222,873	291,469
Total	\$902,526	\$328,635	\$573,891

**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, 2016 was as follows:

	Principal	Interest Rate
OPWC Loan C038F	\$93,600	0.00%
OWDA Loan 3012	37,973	6.61%
OWDA Loan 4979	69,705	2.00%
OPWC CT28P	171,258	0.00%
OWDA Loan 6743	156,765	4.40%
Total	\$529,301	

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.

**VILLAGE OF KINGSTON  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**5. Debt (Continued)**

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

Year ending December 31:	OWDA Loan 3012	OWDA Loan 4979	OPWC Loan C038F	OPWC Loan CT28P
2017	\$18,993	\$5,143	\$23,400	\$6,228
2018	18,980	5,246	23,400	6,228
2019	0	5,352	23,400	6,228
2020	0	5,459	23,400	6,228
2021	0	5,569	0	6,228
2022-2026	0	29,570	0	31,138
2027-2031	0	13,366	0	31,138
2032-2036	0	0	0	31,138
2037-2041	0	0	0	31,138
2042-2046	0	0	0	15,566
Total	<u>\$37,973</u>	<u>\$69,705</u>	<u>\$93,600</u>	<u>\$171,258</u>

OWDA loan 6743 for Water Systems Improvement Designs does not have an amortization schedule available from OWDA at this time.

**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 2016 and 2015, 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, 2016.

**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, 2016, 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, 2016 AND 2015**

**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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets	\$42,182,281	\$38,307,677
Liabilities	(13,396,700)	(12,759,127)
Net Position	<u>\$28,785,581</u>	<u>\$25,548,550</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. At December 31, 2015 the liabilities above include approximately 11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool’s membership increased from 499 members in 2015 to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, 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>2016</u>	<u>2015</u>
\$12,594	\$12,401

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.

**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 2015 and 2016. The Village paid \$525 in 2015 and \$1,637 in 2016 for these acquisitions.

**VILLAGE OF KINGSTON  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**9. Subsequent Event**

On February 9, 2016 the Village entered into an agreement with the United States Department of Agriculture to proceed with a water line replacement project. Project funding consist of a \$1,064,900 grant and a \$1,715,000 loan. This project will commence in 2017, therefore no funding was received by the Village at December 31, 2016.





**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 were engaged to audit, in accordance with the 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 the Village of Kingston, Ross County, (the Village) 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 April 25, 2018. We disclaimed our opinion for the following reasons: The Village's bank reconciliations had unsupported variances of \$38,673 and \$3,354 as of December 31, 2016 and 2015, respectively. In our sampling of transactions many posting errors were identified which provides evidence that other material errors could exist in the financial statements. Audit adjustments were proposed during the audit for known errors that were identified throughout completion of audit testing. The Village has not adjusted its financial statements for the following errors as of December 31, 2015. Intergovernmental receipts and property tax receipts in the general fund are overstated by \$6,650 and \$5,025. Special Revenue Funds intergovernmental receipts are understated by \$15,029. In the Enterprise funds special assessment receipts of \$74,772 are erroneously reported as charges for services. The Village has not adjusted its financial statements for the following errors as of December 31, 2016. In the General Fund, Intergovernmental and Property Tax receipts are overstated by \$11,566, and \$3,725. Other Financing Sources are likewise overstated by \$2,243. In the Special Revenue funds intergovernmental receipts are understated by \$14,183. Special Assessments Receipts of \$52,530 are erroneously reported as charges for services in the Enterprise funds. Also, in the Enterprise funds, debt payments of \$35,462 were not reported. Additionally, the Village's management did not provide written representation regarding the financial statements and Village activity for the audit period. We were unable to satisfy ourselves by other auditing procedures the adjustments necessary in respect to the elements making up the Combined Statements of Receipts, Disbursements, and Changes in Fund Balances as of December 31, 2016 and 2015. We also noted the Village followed financial reporting provisions that 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 engagement, 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 2016-001 and 2016-002 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

#### ***Purpose of this Report***

This report only describes the scope of our internal control testing 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.



BHM CPA Group, Inc.  
Piketon, Ohio  
April 25, 2018

**VILLAGE OF KINGSTON  
ROSS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 and 2015**

**FINDING NUMBER 2016-001**

**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:

- Incorrect bank balances were entered into the bank reconciliations in order to tie to accounting system balances.
- 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 both 2016 and 2015, disbursement and receipt transactions were not posted to the accounting system for several months after year end.

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 2016-002**

**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.

**FINDING NUMBER 2016-002**  
**(Continued)**

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Village's internal controls over financial reporting. Misstatements were identified in the following areas:

- Property Tax Receipts
- Intergovernmental Receipts
- Special Assessment Receipts
- Charges for Services Receipts
- Principal Disbursements
- Interest Disbursements
- Debt Proceeds
- Capital Outlay Disbursements
- Fund Balance Classifications
- Transfers

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.

**VILLAGE OF KINGSTON  
ROSS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2014-001	Material Weakness – Accurate bank reconciliations	No	Reissued as finding 2016-001
2014-002	Material Weakness – Posting Errors	No	Reissued as finding 2016-002
2014-003	Noncompliance – Destruction of Records	Yes	

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OHIO AUDITOR OF STATE  
**KEITH FABER**



**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 9, 2019**