



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF KINGSTON
ROSS COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2018 and 2017
Fiscal Years Audited Under GAGAS: 2018 and 2017

OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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(800) 282-0370

Members of 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, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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.

A handwritten signature in black ink that reads 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

September 14, 2020

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VILLAGE OF KINGSTON
ROSS COUNTY, OHIO
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For the Years Ended 2018 and 2017

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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 have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Kingston, Ross County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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, 2018 and 2017, or changes in financial position or cash flows thereof the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Kingston, Ross County as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As discussed in note 10 to the 2017 financial statements, the Village restated their 2017 beginning cash fund balances in the General Fund, Special Revenue Funds and Enterprise Funds. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2020 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.



BHM CPA Group, Inc.
Piketon, Ohio
March 6, 2020

**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, 2018**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 12,199	\$ 5,251	\$ 17,450
Intergovernmental	31,615	50,996	82,611
Fines, Licenses, and Permits	200	-	200
Earnings on Investments	11,186	-	11,186
Miscellaneous	-	400	400
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	55,200	56,647	111,847
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	4,229	-	4,229
Leisure Time Activities	-	3,295	3,295
Community Environment	14,257	-	14,257
Transportation	-	21,367	21,367
General Government	58,665	-	58,665
Capital Outlay	-	167,695	167,695
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	77,151	192,357	269,508
	<hr/>	<hr/>	<hr/>
Excess of Receipts Over/(Under) Disbursements	(21,951)	(135,710)	(157,661)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts (Disbursements):			
Other Financing Sources	10,917	-	10,917
Other Financing Uses	(413)	-	(413)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts (Disbursements)	10,504	-	10,504
	<hr/>	<hr/>	<hr/>
Net Change in Fund Cash Balances	(11,447)	(135,710)	(147,157)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	69,022	595,186	664,208
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31			
Restricted	-	459,476	459,476
Unassigned (Deficit)	57,575	-	57,575
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 57,575</u>	<u>\$ 459,476</u>	<u>\$ 517,051</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, 2018**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 333,168
Miscellaneous	539
	333,707
Total Operating Cash Receipts	333,707
Operating Cash Disbursements:	
Personal Services	44,357
Contractual Services	114,910
Supplies and Materials	72,501
	231,768
Total Operating Cash Disbursements	231,768
Operating Income (Loss)	101,939
Non-Operating Receipts (Disbursements)	
Intergovernmental	444,428
Other Debt Proceeds	287
Capital Outlay	(583,451)
Principal Retirement	(238,293)
Interest and Fiscal Charges	(24,038)
	(401,067)
Total Non-Operating Cash Receipts (Disbursements)	(401,067)
Income (Loss) before Transfers	(299,128)
Transfers In	241,040
Transfers Out	(241,040)
	(299,128)
Net Change in Fund Cash Balances	(299,128)
Fund Cash Balances, January 1	718,522
	718,522
Fund Cash Balances, December 31	\$ 419,394

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

**VILLAGE OF KINGSTON
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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
FOR THE YEAR ENDED DECEMBER 31, 2018**

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). This fund is also used for the repayment of the loan from the United States Department of Agriculture (USDA).

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 2018 budgetary activity appears in Note 3.

**VILLAGE OF KINGSTON
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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
FOR THE YEAR ENDED DECEMBER 31, 2018**

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:

	2018
Demand deposits	\$230,726
Certificates of deposit	705,719
Total deposits	936,445

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 year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$23,675	\$66,117	\$42,442
Special Revenue	39,288	56,647	17,359
Enterprise	366,500	1,019,462	652,962
Total	\$429,463	\$1,142,226	\$712,763

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$139,737	\$77,564	\$62,173
Special Revenue	592,803	192,357	400,446
Enterprise	1,481,759	1,318,590	163,169
Total	\$2,214,299	\$1,588,511	\$625,788

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.

**VILLAGE OF KINGSTON
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

5. Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
OPWC Loan C038F	\$35,100	0.00%
OWDA Loan 4979	59,213	2.00%
OPWC CT28P	155,688	0.00%
USDA Loan 01	1,995,500	1.88%
Total	\$2,245,501	

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.

The USDA loan was incurred for the purpose of providing a portion of the cost of enlarging, improving, and extending water and sewer facilities of the Village.

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

	OWDA Loan 4979	OPWC Loan C038F	OPWC Loan CT28P	USDA Loan 01
Year ending December 31:				
2019	\$3,281	\$23,400	\$3,114	\$72,593
2020	6,563	11,700	6,228	72,593
2021	6,563	0	6,228	72,593
2022	6,563	0	6,228	72,593
2023	6,563	0	6,228	72,593
2024-2028	32,813	0	31,138	362,965
2029-2033	3,280	0	31,138	362,965
2034-2038	0	0	31,138	362,965
2039-2043	0	0	31,138	362,965
2044-2048	0	0	3,110	362,965
2049-2053	0	0	0	362,965
2054-2057	0	0	0	290,319
Total	\$65,626	\$35,100	\$155,688	\$2,831,074

6. Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Five 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.

**VILLAGE OF KINGSTON
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

6. Defined Benefit Pension Plan (continued)

The Ohio Revised Code also prescribes contribution rates. 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, 2018.

7. Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 4.0 percent during calendar year 2018.

8. Risk Management

Risk Pool Membership

The (local entity) is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

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

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

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

9. Interfund Activity

In 2018, transfers were made from the Water Debt Service Fund of \$30,000 to the USDA Water Debt Service Reserve Fund for the purpose of establishing a debt reserve fund and from the Water Operating Fund of \$211,040 to the Water Debt Service Fund for the purpose of paying debt.

All transfers were made to meet the ongoing obligations of the Village funds. These transfers were approved by Village Council and made in accordance with the Ohio Revised Code.

10. Contingent Liabilities

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

**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, 2017**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 7,105	\$ 3,537	\$ 10,642
Intergovernmental	25,959	46,819	72,778
Fines, Licenses, and Permits	225	-	225
Earnings on Investments	9,493	-	9,493
Miscellaneous	-	400	400
	<u>42,782</u>	<u>50,756</u>	<u>93,538</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	5,477	-	5,477
Leisure Time Activities	-	6,935	6,935
Community Environment	27,582	-	27,582
Transportation	-	15,399	15,399
General Government	43,529	-	43,529
	<u>76,588</u>	<u>22,334</u>	<u>98,922</u>
Total Cash Disbursements			
Excess of Receipts Over/(Under) Disbursements	(33,806)	28,422	(5,384)
Other Financing Receipts (Disbursements):			
Other Financing Sources	158	-	158
Other Financing Uses	(6,532)	-	(6,532)
	<u>(6,374)</u>	<u>-</u>	<u>(6,374)</u>
Total Other Financing Receipts (Disbursements)			
Net Change in Fund Cash Balances	(40,180)	28,422	(11,758)
Fund Cash Balances, January 1 - As Restated	109,202	566,764	675,966
	<u>109,202</u>	<u>566,764</u>	<u>675,966</u>
Fund Cash Balances, December 31			
Restricted	-	595,186	595,186
Unassigned	69,022	-	69,022
	<u>69,022</u>	<u>-</u>	<u>69,022</u>
Fund Cash Balances, December 31	<u>\$ 69,022</u>	<u>\$ 595,186</u>	<u>\$ 664,208</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, 2017**

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 331,335
Miscellaneous	1,657
	<hr/>
Total Operating Cash Receipts	332,992
	<hr/>
Operating Cash Disbursements:	
Personal Services	46,524
Contractual Services	108,712
Supplies and Materials	33,433
	<hr/>
Total Operating Cash Disbursements	188,669
	<hr/>
Operating Income (Loss)	144,323
	<hr/>
Non-Operating Receipts (Disbursements)	
Intergovernmental	555,572
Special Assessment	4,151
Other Debt Proceeds	2,036,108
Capital Outlay	(2,414,526)
Principal Retirement	(81,902)
Interest and Fiscal Charges	(9,007)
	<hr/>
Total Non-Operating Cash Receipts (Disbursements)	90,396
	<hr/>
Net Change in Fund Cash Balances	234,719
	<hr/>
Fund Cash Balances, January 1 - As Restated	483,803
	<hr/>
Fund Cash Balances, December 31	\$ <u>718,522</u>

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

**VILLAGE OF KINGSTON
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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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

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D. Fund Accounting

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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
FOR THE YEAR ENDED DECEMBER 31, 2017**

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). This fund is also used for the repayment of the loan from the United States Department of Agriculture (USDA).

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 2017 budgetary activity appears in Note 3.

**VILLAGE OF KINGSTON
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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
FOR THE YEAR ENDED DECEMBER 31, 2017**

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:

	2017
Demand deposits	\$687,782
Certificates of deposit	694,948
Total deposits	1,382,730

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 year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$50,102	\$42,940	(\$7,162)
Special Revenue	43,988	50,756	6,768
Enterprise	3,336,500	2,928,823	(407,677)
Total	\$3,430,590	\$3,022,519	(\$408,071)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$183,288	\$83,120	\$100,168
Special Revenue	580,586	22,334	558,252
Enterprise	3,826,202	2,694,104	1,132,098
Total	\$4,590,076	\$2,799,558	\$1,790,518

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.

**VILLAGE OF KINGSTON
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

5. Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan C038F	\$70,200	0.00%
OWDA Loan 4979	64,512	2.00%
OPWC CT28P	165,029	0.00%
OWDA Loan 6743	153,766	4.40%
USDA Loan 01	<u>2,030,000</u>	1.88%
Total	<u>\$2,483,507</u>	

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.

The USDA loan was incurred for the purpose of providing a portion of the cost of enlarging, improving, and extending water and sewer facilities of the Village.

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

Year ending	OWDA Loan 4979	OPWC Loan C038F	OPWC Loan CT28P	USDA Loan 01
December 31:				
2018	\$3,281	\$23,400	\$6,228	\$56,987
2019	6,563	23,400	6,228	72,593
2020	6,563	23,400	6,228	72,593
2021	6,563	0	6,228	72,593
2022	6,563	0	6,228	72,593
2023-2027	32,813	0	31,138	362,965
2028-2032	9,844	0	31,138	362,965
2033-2037	0	0	31,138	362,965
2038-2042	0	0	31,138	362,965
2043-2047	0	0	9,337	362,965
2048-2052	0	0	0	362,965
2053-2057	0	0	0	362,912
Total	<u>\$72,190</u>	<u>\$70,200</u>	<u>\$165,029</u>	<u>\$2,888,061</u>

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

**VILLAGE OF KINGSTON
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

6. Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

7. Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 4.0 percent during calendar year 2017.

8. Risk Management

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

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

The Government 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. 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 York. 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, 2017, PEP retained \$350,000 for casualty claims and \$100,000 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

**VILLAGE OF KINGSTON
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

8. Risk Management (continued)

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Government'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>2017 Contributions to PEP</u> <u>\$12,808</u>

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.

9. Contingent Liabilities

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

10. Restatement of Beginning Cash Fund Balances

The General Fund, Special Revenue Funds and Enterprise cash fund balances were restated to reflect audit adjustments from the 2015-2016 audit, which were agreed to by the Village in the 2017 audit period. The General Fund cash balance at January 1, 2017 was previously stated at \$138,414, and was restated to \$109,202. The Special Revenue Funds cash balance at January 1, 2017 was previously stated at \$537,552, and was restated to \$566,764. The Enterprise Fund cash balance at January 1, 2017 was previously stated at \$521,618, and was restated to \$483,803.

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**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, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated March 6, 2020 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 2018-001 and 2018-002 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2018-003 and 2018-004.

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 report is not suitable for any other purpose.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Piketon, Ohio
March 6, 2020

**VILLAGE OF KINGSTON
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 and 2017**

FINDING NUMBER 2018-001

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:

- 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 2018 and 2017, 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 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 2018-002

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 2018-002
(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
- Principal Disbursements
- Interest Disbursements
- Debt Proceeds
- Contractual Services Disbursements
- Supplies and Materials Disbursements
- Capital Outlay Disbursements
- Fund Balance Classifications

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 2018-003

Material Noncompliance

Ohio Rev. Code § 5705.41 (D)(1) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. We noted several disbursements in 2018 and in 2017 that were not certified prior to the disbursement of funds.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

FINDING NUMBER 2018-003 (continued)

1. “Then and Now” Certificate – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, a “then and now” certification should be used.

We recommend the Village review the requirements of ORC 5705.41(D) and ensure that Super Blanket Certificates are opened for purchases that are specific recurring or reasonably predictable expenses.

Officials’ Response

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

FINDING NUMBER 2018-004

Material Noncompliance

26 U.S.C. §§ 3401, 3402, 3403, 3404, 3405, and 3102(a) require the employing government to withhold federal income and employment related taxes (such as Medicare). These Sections also require the government to report and remit those tax matters to the appropriate tax authorities and the recipients.

The Village failed to timely submit the required federal payroll taxes as required by the Internal Revenue Service. The Village did not make payments to the IRS after from August 2018 until the end of the fiscal year. The Village will incur late fees and penalties for not remitting federal taxes in a timely manner.

We recommend the Village Fiscal Officer remit federal income taxes withheld on a timely basis. Additionally, the Village should maintain documentation concerning the remittance of federal income taxes as well as the required reports.

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, 2018 AND 2017**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2016-001	Material Weakness – Accurate bank reconciliations	No	Reissued as finding 2018-001
2016-002	Material Weakness – Posting Errors	No	Reissued as finding 2018-002

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF KINGSTON

ROSS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 9/29/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov