



Dave Yost • Auditor of State

VILLAGE OF KINGSTON
ROSS COUNTY

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Dave Yost • Auditor of State

Village of Kingston
Ross County
28 Main Street, P.O. Box 92
Kingston, Ohio 45644

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Dave Yost
Auditor of State

August 15, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Kingston
Ross County
28 Main Street, P.O. Box 92
Kingston, Ohio 45644

To the Village Council:

We have audited the accompanying financial statements of the Village of Kingston, Ross County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Kingston, Ross County, Ohio as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

August 15, 2011

**VILLAGE OF KINGSTON
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 14,031	\$ 4,677	\$ 18,708
Intergovernmental	47,733	44,961	92,694
Fines, Licenses and Permits	350	-	350
Earnings on Investments	27,342	5,762	33,104
Miscellaneous	5,798	1,292	7,090
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	95,254	56,692	151,946
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	8,049	-	8,049
Leisure Time Activities	-	2,123	2,123
Community Environment	1,988	-	1,988
Basic Utility Service	1,845	-	1,845
Transportation	-	7,691	7,691
General Government	71,175	-	71,175
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	83,057	9,814	92,871
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	12,197	46,878	59,075
Fund Cash Balances, January 1	287,474	354,634	642,108
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 299,671</u>	<u>\$ 401,512</u>	<u>\$ 701,183</u>

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

**VILLAGE OF KINGSTON
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 273,489
Miscellaneous	5,902
Total Operating Cash Receipts	279,391
Operating Cash Disbursements:	
Personal Services	55,240
Contractual Services	52,448
Supplies and Materials	33,513
Total Operating Cash Disbursements	141,201
Operating Income	138,190
Non-Operating Cash Receipts:	
Property and Other Local Taxes	166,291
Proceed of Loans	2,206
Total Non-Operating Cash Receipts	168,497
Non-Operating Cash Disbursements:	
Redemption of Principal	116,002
Interest and Other Fiscal Charges	32,202
Total Non-Operating Cash Disbursements	148,204
Net Receipts Over/(Under) Disbursements	158,483
Fund Cash Balances, January 1	404,177
Fund Cash Balances, December 31	\$ 562,660

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

**VILLAGE OF KINGSTON
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 13,603	\$ 4,541	\$ 18,144
Intergovernmental	50,596	43,297	93,893
Fines, Licenses and Permits	200	-	200
Earnings on Investments	18,840	4,059	22,899
Miscellaneous	856	25	881
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	84,095	51,922	136,017
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	8,049	-	8,049
Leisure Time Activities	-	3,070	3,070
Community Environment	1,718	-	1,718
Basic Utility Service	3,275	-	3,275
Transportation	-	14,710	14,710
General Government	64,758	-	64,758
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	77,800	17,780	95,580
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	6,295	34,142	40,437
Fund Cash Balances, January 1, Restated	281,179	320,492	601,671
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 287,474</u>	<u>\$ 354,634</u>	<u>\$ 642,108</u>

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

**VILLAGE OF KINGSTON
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 267,290
Miscellaneous	25
	267,315
Total Operating Cash Receipts	267,315
Operating Cash Disbursements:	
Personal Services	60,063
Contractual Services	83,731
Supplies and Materials	21,571
	165,365
Total Operating Cash Disbursements	165,365
Operating Income	101,950
Non-Operating Cash Receipts:	
Property and Other Local Taxes	155,730
Proceed of Loans	102,147
	257,877
Total Non-Operating Cash Receipts	257,877
Non-Operating Cash Disbursements:	
Redemption of Principal	224,506
Interest and Other Fiscal Charges	71,904
Capital Outlay	64,490
	360,900
Total Non-Operating Cash Disbursements	360,900
Net Receipts Over/(Under) Disbursements	(1,073)
Fund Cash Balances, January 1	405,250
Fund Cash Balances, December 31	\$ 404,177

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, 2010 AND 2009**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Kingston, Ross County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, and park operations. The Ross County Sheriff provides security of persons and property. The Kingston Volunteer Fire Department provides fire protection services to the Village.

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF KINGSTON
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Park and Recreation Fund - This fund receives property tax revenue and donations for maintaining the Village's park.

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

3. Enterprise Funds

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

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

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

Sewer Debt Service Fund - This fund receives utility surcharges from customers for the payment of loans obtained through the OWDA and 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 fund level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

**VILLAGE OF KINGSTON
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

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. The Village did not encumber all commitments required by Ohio law.

A summary of 2010 and 2009 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

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

2. Restatement of Beginning Fund Balances

The Village posted motor vehicle and license tax monies to the General Fund during 2008; these receipts should have been posted to the Street Construction Maintenance and Repair and the State Highway special revenue funds. The Village's financial statements have been adjusted to show the corrections.

Properly reporting this activity had the following effect on cash balances at January 1, 2009:

	General Fund	Special Revenue Funds
Fund Balance, January 1, 2009	\$ 288,986	\$ 312,685
Restatement	(7,807)	7,807
Restated Fund Balance, January 1, 2009	<u>\$ 281,179</u>	<u>\$ 320,492</u>

3. Equity in Pooled Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2010	2009
Demand deposits	<u>\$627,904</u>	<u>\$440,945</u>
Certificates of deposit	635,939	605,340
Total deposits	<u><u>\$1,263,843</u></u>	<u><u>\$1,046,285</u></u>

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

**VILLAGE OF KINGSTON
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$90,250	\$95,254	\$5,004
Special Revenue	49,026	56,692	7,666
Enterprise	475,908	447,888	(28,020)
Total	\$615,184	\$599,834	(\$15,350)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$134,715	\$83,057	\$51,658
Special Revenue	21,978	9,814	12,164
Enterprise	541,992	289,405	252,587
Total	\$698,685	\$382,276	\$316,409

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$87,293	\$84,095	(\$3,198)
Special Revenue	47,927	51,922	3,995
Enterprise	433,733	525,192	91,459
Total	\$568,953	\$661,209	\$92,256

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$138,048	\$77,800	\$60,248
Special Revenue	22,415	17,780	4,635
Enterprise	635,483	526,265	109,218
Total	\$795,946	\$621,845	\$174,101

**VILLAGE OF KINGSTON
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

6. Debt

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan #2306	\$725,289	5.20%
OWDA Loan #3012	\$221,232	6.61%
OWDA Loan #4979	\$98,286	2.00%
OPWC Loan #C038F	\$245,700	0.00%
OPWC Loan #0441	89,640	0.00%
Total	<u>\$1,380,147</u>	

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

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

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

**VILLAGE OF KINGSTON
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Debt (Continued)

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

	OWDA Loan #2306	OWDA Loan #3012	OWDA Loan #4979	OPWC Loan #C038F	OPWC Loan #C0441
2011	\$203,172	\$40,494	\$6,934	\$23,400	\$22,410
2012	203,172	40,494	6,934	23,400	22,410
2013	203,172	40,494	6,934	23,400	22,410
2014	203,172	40,494	6,934	23,400	22,410
2015	101,586	40,494	6,934	23,400	0
2016-2020	0	101,235	34,670	117,000	0
2021-2025	0	0	34,670	11,700	0
2026-2030	0	0	31,203	0	0
Total	<u>\$914,274</u>	<u>\$303,705</u>	<u>\$135,213</u>	<u>\$245,700</u>	<u>\$89,640</u>

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, 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, 2010.

8. Risk Management

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

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

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

**VILLAGE OF KINGSTON
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

8. Risk Management (Continued)

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, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Government's share of these unpaid claims collectible in future years is approximately \$9,573.

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>2009</u>	<u>2008</u>
\$10,184	\$10,023

VILLAGE OF KINGSTON
ROSS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

8. Risk Management (Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



Dave Yost • Auditor of State

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

Village of Kingston
Ross County
28 Main Street, P.O. Box 92
Kingston, Ohio 45644

To the Village Council:

We have audited the financial statements of the Village of Kingston, Ross County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated August 15, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-002.

We intend this report solely for the information and use of management, the Village Council, and others within the Village. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

August 15, 2011

**VILLAGE OF KINGSTON
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

Financial Reporting – Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and the Village Council and is essential to ensure information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments were made to the December 31, 2010 financial statements and the Village's accounting system where applicable:

1. Adjustments to decrease Intergovernmental Revenue in the General Fund (\$6,988) and increase Intergovernmental Revenue in the Street Construction Maintenance and Repair Fund (\$6,464) and the State Highway Fund (\$524) for motor vehicle license fees mis-posted to the General Fund.
2. A reclassification entry within the Enterprise Fund of \$2,206 to reclassify Proceeds of Loans which was posted as Miscellaneous Revenue.
3. An entry to decrease Charges for Services and decrease Principal for user fees which were misposted.

The following audit adjustments were made to the December 31, 2009 financial statements and the Village's accounting system where applicable:

1. Adjustments to the beginning fund balances to decrease the General Fund (\$7,807) and to increase the Street Construction Maintenance and Repair Fund (\$7,221) and the State Highway Fund (\$586) for motor vehicle license fees which were mis-posted to the General Fund in 2008.
2. Adjustments to decrease Intergovernmental Revenue in the General Fund (\$7,117) and increase Intergovernmental Revenue in the Street Construction Maintenance and Repair Fund (\$6,583) and the State Highway Fund (\$534) for motor vehicle license fees mis-posted to the General Fund.
3. A reclassification entry within the Enterprise Fund of \$102,147 to reclassify Proceeds of Loans which was posted as Miscellaneous Revenue.

The adjustments and reclassifications identified above should be reviewed by the Fiscal Officer to ensure that similar errors are not reported on financial statements in subsequent years.

VILLAGE OF KINGSTON
ROSS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)

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

FINDING 2010-002

**Certification of Funds Prior to Commitment
Material Noncompliance**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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.

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.

Ninety-three percent of 2010 and 2009 disbursements we examined were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**VILLAGE OF KINGSTON
ROSS COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING 2010-002 (Continued)

**Certification of Funds Prior to Commitment
Material Noncompliance (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but 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 Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We also recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials Response: We did not receive a response from officials regarding the above findings.

VILLAGE OF KINGSTON
ROSS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-001	Ohio Rev. Code 5705.41(D) – the Village did not certify availability of funds prior to commitment.	No	Re-Issued as Finding 2010-002



Dave Yost • Auditor of State

VILLAGE OF KINGSTON

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 27, 2011