



**Auditor of State
Betty Montgomery**

VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of North Kingsville
Ashtabula County
3541 East Center Street
North Kingsville, Ohio 44068-0253

To the Village Council:

We have audited the accompanying financial statements of the Village of North Kingsville, Ashtabula County, (the Village) as of and for the years ended December 31, 2002 and December 31, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of North Kingsville
Ashtabula County
Independent Accountants' Report
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This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 15, 2003

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$507,511	\$197,732	\$0	\$43,707	\$748,950
Special Assessments			5,676	2,971	8,647
Intergovernmental Receipts	77,538	131,790		30,000	239,328
Charges for Services	4,459	29,336			33,795
Fines, Licenses, and Permits	49,045	6,148			55,193
Earnings on Investments	31,589	11,041			42,630
Miscellaneous	7,191	3,343			10,534
Total Cash Receipts	<u>677,333</u>	<u>379,390</u>	<u>5,676</u>	<u>76,678</u>	<u>1,139,077</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	344,707	69,422		2,589	416,718
Public Health Services	24,862	1,274			26,136
Leisure Time Activities		6,521		30,000	36,521
Community Environment	2,284				2,284
Transportation	43,165	214,000	174		257,339
General Government	265,600	5,748			271,348
Debt Service:					
Principal Payments	14,278		34,848	24,900	74,026
Interest Payments	5,230		9,352	15,840	30,422
Capital Outlay	29,160	142,264	900	120,406	292,730
Total Cash Disbursements	<u>729,286</u>	<u>439,229</u>	<u>45,274</u>	<u>193,735</u>	<u>1,407,524</u>
Total Receipts Over/(Under) Disbursements	<u>(51,953)</u>	<u>(59,839)</u>	<u>(39,598)</u>	<u>(117,057)</u>	<u>(268,447)</u>
Other Financing Receipts and (Disbursements):					
Transfers-In		25,000	48,606	40,740	114,346
Advances-In	11,113				11,113
Transfers-Out	(25,000)	(40,740)			(65,740)
Advances-Out	(10,000)	(1,113)			(11,113)
Other Source	2,198	4,855			7,053
Total Other Financing Receipts/(Disbursements)	<u>(21,689)</u>	<u>(11,998)</u>	<u>48,606</u>	<u>40,740</u>	<u>55,659</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(73,642)</u>	<u>(71,837)</u>	<u>9,008</u>	<u>(76,317)</u>	<u>(212,788)</u>
Fund Cash Balances, January 1	<u>209,325</u>	<u>340,997</u>	<u>24,439</u>	<u>290,115</u>	<u>864,876</u>
Fund Cash Balances, December 31	<u>\$135,683</u>	<u>\$269,160</u>	<u>\$33,447</u>	<u>\$213,798</u>	<u>\$652,088</u>
Reserves for Encumbrances, December 31	<u>\$22,277</u>	<u>\$6,531</u>	<u>\$0</u>	<u>\$3,000</u>	<u>\$31,808</u>

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

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$544,262	\$6,055	\$550,317
Operating Cash Disbursements:			
Personal Services	226,613		226,613
Contractual Services	146,072		146,072
Supplies and Materials	80,618	4,708	85,326
Capital Outlay	21,412		21,412
Total Operating Cash Disbursements	<u>474,715</u>	<u>4,708</u>	<u>479,423</u>
Operating Income/(Loss)	<u>69,547</u>	<u>1,347</u>	<u>70,894</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	<u>10,316</u>	<u>55,416</u>	<u>65,732</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements		<u>54,698</u>	<u>54,698</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	79,863	2,065	81,928
Advances-In	10,000		10,000
Transfers-Out	(48,606)		(48,606)
Advances-Out	<u>(10,000)</u>		<u>(10,000)</u>
Net Receipts Over/(Under) Disbursements	31,257	2,065	33,322
Fund Cash Balances, January 1	<u>233,966</u>	<u>6,917</u>	<u>240,883</u>
Fund Cash Balances, December 31	<u>\$265,223</u>	<u>\$8,982</u>	<u>\$274,205</u>
Reserve for Encumbrances, December 31	<u>\$165</u>	<u>\$0</u>	<u>\$165</u>

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

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$518,521	\$196,578	\$0	\$51,156	\$766,255
Special Assessments			8,237		8,237
Intergovernmental Receipts	108,888	176,289			285,177
Charges for Services		34,221			34,221
Fines, Licenses, and Permits	77,332	10,380			87,712
Miscellaneous	20,105	10,459		8,358	38,922
Total Cash Receipts	<u>724,846</u>	<u>427,927</u>	<u>8,237</u>	<u>59,514</u>	<u>1,220,524</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	339,020	55,714		2,595	397,329
Public Health Services	22,439	2,680			25,119
Leisure Time Activities		56,348			56,348
Community Environment	7,649				7,649
Transportation	24,495	205,159	392		230,046
General Government	273,288	5,652			278,940
Debt Service:					
Principal Payments				82,400	82,400
Interest Payments				21,933	21,933
Capital Outlay	151,514	43,043		226,550	421,107
Total Cash Disbursements	<u>818,405</u>	<u>368,596</u>	<u>392</u>	<u>333,478</u>	<u>1,520,871</u>
Total Receipts Over/(Under) Disbursements	<u>(93,559)</u>	<u>59,331</u>	<u>7,845</u>	<u>(273,964)</u>	<u>(300,347)</u>
Other Financing Receipts and (Disbursements):					
Sale of Bonds	93,600			240,000	333,600
Sale of Fixed Assets		16,510			16,510
Transfers-In		45,016	280	40,333	85,629
Advances-In	32,377	29,125			61,502
Transfers-Out	(45,296)	(40,333)			(85,629)
Advances-Out	(39,125)	(22,377)			(61,502)
Other Sources	21,879	11,169	1,813	16,415	51,276
Other Uses	(30,820)	(1,498)	(820)	(1,105)	(34,243)
Total Other Financing Receipts/(Disbursements)	<u>32,615</u>	<u>37,612</u>	<u>1,273</u>	<u>295,643</u>	<u>367,143</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(60,944)</u>	<u>96,943</u>	<u>9,118</u>	<u>21,679</u>	<u>66,796</u>
Fund Cash Balances, January 1	<u>270,269</u>	<u>244,054</u>	<u>15,321</u>	<u>268,436</u>	<u>798,080</u>
Fund Cash Balances, December 31	<u>\$209,325</u>	<u>\$340,997</u>	<u>\$24,439</u>	<u>\$290,115</u>	<u>\$864,876</u>
Reserves for Encumbrances, December 31	<u>\$10,184</u>	<u>\$12,224</u>	<u>\$0</u>	<u>\$7,764</u>	<u>\$30,172</u>

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

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$530,887	\$5,700	\$536,587
Operating Cash Disbursements:			
Personal Services	249,103		249,103
Contractual Services	177,000		177,000
Supplies and Materials	79,279	7,289	86,568
Capital Outlay	20,325		20,325
Total Operating Cash Disbursements	<u>525,707</u>	<u>7,289</u>	<u>532,996</u>
Operating Income/(Loss)	<u>5,180</u>	<u>(1,589)</u>	<u>3,591</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	<u>4,648</u>	<u>86,932</u>	<u>91,580</u>
Non-Operating Cash Disbursements:			
Debt Service	36,037		36,037
Other Non-Operating Cash Disbursements	<u>3,180</u>	<u>86,023</u>	<u>89,203</u>
Total Non-Operating Cash Disbursements	<u>39,217</u>	<u>86,023</u>	<u>125,240</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(29,389)	(680)	(30,069)
Advances-In	10,000		10,000
Advances-Out	<u>(10,000)</u>		<u>(10,000)</u>
Net Receipts Over/(Under) Disbursements	(29,389)	(680)	(30,069)
Fund Cash Balances, January 1	<u>263,355</u>	<u>7,597</u>	<u>270,952</u>
Fund Cash Balances, December 31	<u>\$233,966</u>	<u>\$6,917</u>	<u>\$240,883</u>
Reserve for Encumbrances, December 31	<u>\$5,432</u>	<u>\$0</u>	<u>\$5,432</u>

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

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of North Kingsville, Ashtabula County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides park operations, police services, and fire protection.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Repurchase agreements (Sweep Account) are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from 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.

Rescue Service Fund - This fund receives fees for providing ambulance service.

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Fund:

Golf Course Capital Improvement Bond Fund – This Fund receives proceeds from the golf course to repay these bonds.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Municipal Income Tax Capital Improvement Fund - This fund receives proceeds from the Villages Municipal Income Tax for capital improvements of the Village.

5. Enterprise Funds

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

Municipal Golf Course - This fund receives charges for services from the golf course to cover the cost of operating this facility.

6. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Mayor Court Fund – This fund receives fine and court cost monies. The proceeds are distributed to the State as required by law and to the General Fund

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, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$417,248	\$322,375
Investments:		
STAR Ohio	219,226	215,332
Repurchase agreement	289,819	568,052
Total investments	509,045	783,384
Total deposits and investments	\$926,293	\$1,105,759

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The equity securities are held in book entry form by a financial institution's trust department in the Village's name.

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$832,005	\$679,531	(\$152,474)
Special Revenue	438,565	409,245	(29,320)
Debt Service	58,454	54,282	(4,172)
Capital Projects	121,141	117,418	(3,723)
Enterprise	495,000	554,578	59,578
Fiduciary	62,298	61,471	(827)
Total	\$2,007,463	\$1,876,525	(\$130,938)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,069,694	\$776,563	\$293,131
Special Revenue	689,881	486,500	203,381
Debt Service	75,954	45,274	30,680
Capital Projects	360,086	196,735	163,351
Enterprise	625,835	523,486	102,349
Fiduciary	62,698	59,406	3,292
Total	\$2,884,148	\$2,087,964	\$796,184

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$853,424	\$840,325	(\$13,099)
Special Revenue	543,720	500,622	(43,098)
Debt Service	5,000	10,330	5,330
Capital Projects	391,331	356,262	(35,069)
Enterprise	524,953	535,535	10,582
Fiduciary	94,522	92,632	(1,890)
Total	\$2,412,950	\$2,335,706	(\$77,244)

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,035,966	\$904,705	\$131,261
Special Revenue	531,732	422,651	109,081
Debt Service	15,530	1,212	14,318
Capital Projects	151,333	342,347	(191,014)
Enterprise	615,574	570,356	45,218
Fiduciary	93,523	93,312	211
Total	\$2,443,658	\$2,334,583	\$109,075

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire Truck Bond Levy fund by \$40,287, Fire Truck Bonds by \$191,309 and the Golf Course Capital Improvement fund by \$64,000 for the year ended December 31, 2001

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Golf Course Improvement Bonds	\$205,152	4.04%
General Obligation Bonds - Pickup Truck	40,757	4.79%
General Obligation Bonds - Backhoe	33,449	3.63%
General Obligation Bonds- Fire Truck	256,700	5.60%
	<u>\$536,058</u>	

The Golf Course Improvement Bonds relate to improvements made to the golf course owned by the Village. The debt shall be repaid from user fees of the course if sufficient, if not, then a tax shall be imposed on all taxable property in the Village within the ten-mill limitation.

The General Obligation Bonds are collateralized by the Village's taxing authority and are for a pickup truck, backhoe and a fire truck.

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

	<u>Golf Course Improvement Bonds</u>	<u>G.O Bonds Pickup Truck</u>	<u>G.O. Bonds Backhoe</u>	<u>G.O Bonds Fire Truck</u>
Year ending December 31:				
2003	\$53,550	\$10,438	\$9,070	\$40,208
2004	53,469	10,438	9,070	40,222
2005	53,514	10,438	9,070	40,248
2006	53,478	10,438	9,070	40,282
2007		10,438		40,224
2008-2012				120,784
Total	<u>\$214,011</u>	<u>\$52,190</u>	<u>\$36,280</u>	<u>\$321,968</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles

The Village provides health insurance coverage for its full time employees through a private carrier.

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**Auditor of State
Betty Montgomery**

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of North Kingsville
Ashtabula County
3541 East Center Street
North Kingsville, Ohio 44068-0253

To the Village Council:

We have audited the accompanying financial statements of the Village of North Kingsville, Ashtabula County, (the Village) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated October 15, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as 2002-31104-001. We also, noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 15, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that in our judgment, could adversely affect Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as 2002-31104-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated October 15, 2003.

This report is intended solely for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 15, 2003

VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

NONCOMPLIANCE

FINDING NUMBER 2002-001

Ohio Revised Code § 5705.41 (D), states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

1. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- 2- If the amount involved is less than one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of the Council.

During our testing we found that in 2001 the following funds had expenditures plus encumbrances that exceeded appropriations:

Fund	Appropriations	Expenditures/ Encumbrances	Variance
Fire Truck Bond Levy	\$800	\$41,087	\$(40,287)
Fire Truck Bonds	0	191,309	(191,309)
Golf Course Capital Improvement	0	64,000	(64,000)

This resulted in the Village incurring obligations prior to fiscal officer's certification of the availability of funds and reporting to the budget commission an overstated unencumbered fund balance. This situation may also result in expenditures being incurred which either Council or management has not authorized, or which the Village cannot afford.

We recommend that all Village personnel be advised that a purchase order with the certificate of the Clerk/Treasurer be obtained prior to making an order involving the expenditure of money. Any request for payment from a vendor without such purchase order should be investigated by management before the payment is made. Purchase obligations also should be charged against the appropriations in the year incurred.

MATERIAL WEAKNESS

FINDING NUMBER 2002-002

Cash Reconciliation

1. Monthly reconciliations were prepared separately for the General, Golf Course, and Fire Department accounts. This method of reconciling accounts did not present a combined total to agree with the Monthly Fund Report balance.
2. A scan of monthly reconciliations reflected overages, shortages, and other adjusting amounts. There was no evidence that errors were identified and/or corrected.

To improve controls over the cash reconciliation process:

1. The Clerk-Treasurer should present a combined reconciliation to agree with the balance in the Monthly Fund Report. Monthly cash reconciliations should be reviewed and signed by a member of the Finance Committee, along with all other financial data.
2. The Clerk-Treasurer should use a standard type format to reconcile the bank balances to the Village book balances. Reconciling items should be identified. All adjusting entries should be adequately supported. Corrections of adjusting entries should be documented (i.e., date and method of correction). Each month's reconciliation should be complete and all adjustments properly identified before that month is closed out.



**Auditor of State
Betty Montgomery**

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VILLAGE OF NORTH KINGSVILLE

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 25, 2003**