



**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1998-1997



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF NORTH KINGSVILLE

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of North Kingsville
Ashtabula County
P.O. Box 253
North Kingsville, OH 44068

To the Village Council:

We have audited the accompanying financial statements of the Village of North Kingsville, Ashtabula County, Ohio, (the Village) as of and for the years ended December 31, 1998 and 1997. 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 generally accepted auditing standards 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, 1998 and 1997, 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 September 29, 2000 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.

This report is intended solely for the information and use of the audit committee, management, and 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, appearing to read "Jim Petro".

Jim Petro
Auditor of State

September 29, 2000

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**VILLAGE OF NORTH KINGSVILLE
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<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	\$470,327	\$138,072		\$43,982	\$652,381
State Shared Taxes and Permits	76,924	103,879			180,803
Special Assessments		6,581	\$13,207		19,788
Intergovernmental Receipts	12,995	25,474			38,469
Charges for Services		43,328			43,328
Fines, Licenses, and Permits	50,335	7,337			57,672
Earnings on Investments	18,545	11,494			30,039
Miscellaneous	40,468	2,349		2,588	45,405
Total Cash Receipts	<u>669,594</u>	<u>338,514</u>	<u>13,207</u>	<u>46,570</u>	<u>1,067,885</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	286,499	77,989			364,488
Public Health Services	17,807	1,415			19,222
Leisure Time Activities	8,556	33,120			41,676
Transportation	33,502	153,215			186,717
General Government	231,118	1,875	419		233,412
Debt Service:					
Principal Payments			37,000		37,000
Interest Payments			5,000		5,000
Capital Outlay	26,818	121,482		15,719	164,019
Total Disbursements	<u>604,300</u>	<u>389,096</u>	<u>42,419</u>	<u>15,719</u>	<u>1,051,534</u>
Total Receipts Over/(Under) Disbursements	<u>65,294</u>	<u>(50,582)</u>	<u>(29,212)</u>	<u>30,851</u>	<u>16,351</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		35,000	57,615	8,831	101,446
Transfers-Out	(101,446)				(101,446)
Total Other Financing Receipts/(Disbursements)	<u>(101,446)</u>	<u>35,000</u>	<u>57,615</u>	<u>8,831</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(36,152)</u>	<u>(15,582)</u>	<u>28,403</u>	<u>39,682</u>	<u>16,351</u>
Fund Cash Balances January 1	<u>281,177</u>	<u>151,580</u>	<u>(28,880)</u>	<u>75,653</u>	<u>479,530</u>
Fund Cash Balances, December 31	<u>\$245,025</u>	<u>\$135,998</u>	<u>(\$477)</u>	<u>\$115,335</u>	<u>\$495,881</u>
Reserves for Encumbrances, December 31	<u>\$17,426</u>	<u>\$13,695</u>		<u>\$65,000</u>	<u>\$96,121</u>

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

**VILLAGE OF NORTH KINGSVILLE
 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, 1998**

	<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	\$439,773		\$439,773
Miscellaneous	16,796		16,796
Total Operating Cash Receipts	<u>456,569</u>		<u>456,569</u>
Operating Cash Disbursements:			
Personal Services	132,355		132,355
Fringe Benefits	21,244		21,244
Contractual Services	130,821		130,821
Supplies and Materials	42,582		42,582
Capital Outlay	262,251		262,251
Total Operating Cash Disbursements	<u>589,253</u>		<u>589,253</u>
Operating Income/(Loss)	<u>(132,684)</u>		<u>(132,684)</u>
Non-Operating Cash Receipts:			
Proceeds from Notes and Bonds	160,000		160,000
Other Non-Operating Receipts		75,444	75,444
Total Non-Operating Cash Receipts	<u>160,000</u>	<u>75,444</u>	<u>235,444</u>
Non-Operating Cash Disbursements:			
Debt Service	21,073		21,073
Other Non-Operating Cash Disbursements		75,444	75,444
Total Non-Operating Cash Disbursements	<u>21,073</u>	<u>75,444</u>	<u>96,517</u>
Net Receipts Over/(Under) Disbursements	6,243		6,243
Fund Cash Balances, January 1	<u>286,014</u>		<u>286,014</u>
Fund Cash Balances, December 31	<u>\$292,257</u>		<u>\$292,257</u>
Reserve for Encumbrances, December 31	<u>\$7,032</u>		<u>\$7,032</u>

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

**VILLAGE OF NORTH KINGSVILLE
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1997**

	<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	\$446,819	\$91,665		\$42,394	\$580,878
State Shared Taxes and Permits	96,392	94,488			190,880
Special Assessments		3,288	\$13,095		16,383
Intergovernmental Receipts	17,847	52,041		20,606	90,494
Charges for Services		47,201			47,201
Fines, Licenses, and Permits	53,265	5,266			58,531
Earnings on Investments	15,429	9,053			24,482
Miscellaneous	16,120	1,158			17,278
Total Cash Receipts	<u>645,872</u>	<u>304,160</u>	<u>13,095</u>	<u>63,000</u>	<u>1,026,127</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	274,297	81,927			356,224
Public Health Services	17,048	1,346			18,394
Leisure Time Activities		59,521			59,521
Community Environment	2,204				2,204
Transportation	1,805	160,634			162,439
General Government	214,982	1,215	401		216,598
Debt Service:					
Principal Payments			37,320		37,320
Interest Payments			5,992		5,992
Capital Outlay	45,121	21,454		50,707	117,282
Total Disbursements	<u>555,457</u>	<u>326,097</u>	<u>43,713</u>	<u>50,707</u>	<u>975,974</u>
Total Receipts Over/(Under) Disbursements	<u>90,415</u>	<u>(21,937)</u>	<u>(30,618)</u>	<u>12,293</u>	<u>50,153</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		6,775			6,775
Transfers-Out	(6,775)				(6,775)
Total Other Financing Receipts/(Disbursements)	<u>(6,775)</u>	<u>6,775</u>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>83,640</u>	<u>(15,162)</u>	<u>(30,618)</u>	<u>12,293</u>	<u>50,153</u>
Fund Cash Balances January 1	197,537	166,742	1,738	63,360	429,377
Fund Cash Balances, December 31	<u><u>\$281,177</u></u>	<u><u>\$151,580</u></u>	<u><u>(\$28,880)</u></u>	<u><u>\$75,653</u></u>	<u><u>\$479,530</u></u>
Reserves for Encumbrances, December 31	<u>\$13,045</u>	<u>\$975</u>		<u>\$1,500</u>	<u>\$15,520</u>

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

**VILLAGE OF NORTH KINGSVILLE
 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, 1997**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$412,942		\$412,942
Miscellaneous	11,143		11,143
Total Operating Cash Receipts	<u>424,085</u>		<u>424,085</u>
Operating Cash Disbursements:			
Personal Services	124,486		124,486
Fringe Benefits	17,904		17,904
Contractual Services	64,639		64,639
Supplies and Materials	49,586		49,586
Capital Outlay	64,277		64,277
Total Operating Cash Disbursements	<u>320,892</u>		<u>320,892</u>
Operating Income/(Loss)	<u>103,193</u>		<u>103,193</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		79,008	79,008
Total Non-Operating Cash Receipts		<u>79,008</u>	<u>79,008</u>
Non-Operating Cash Disbursements:			
Debt Service	20,009		20,009
Other Non-Operating Cash Disbursements		79,008	79,008
Total Non-Operating Cash Disbursements	<u>20,009</u>	<u>79,008</u>	<u>99,017</u>
Net Receipts Over/(Under) Disbursements	83,184		83,184
Fund Cash Balances, January 1	<u>202,830</u>		<u>202,830</u>
Fund Cash Balances, December 31	<u>\$286,014</u>		<u>\$286,014</u>

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

**VILLAGE OF NORTH KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

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 operates under a council-mayor form of government. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including park operations (leisure time activities) and police services.

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

Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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.

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 Services Fund - This fund receives levy monies to provide emergency rescue services to residents of the Village and to give mutual aid to surrounding communities.

VILLAGE OF NORTH KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(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 funds:

The General Debt Service Fund was used to pay bonded debt for police motor vehicle acquisition and municipal improvements from the proceeds of general taxes levied within the ten mill limitation.

The Special Assessment Debt Service Fund was used to pay bonded debt for the paving of Gore Road from the proceeds of assessments levied against the benefitting property owners.

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 funds:

Capital Improvement Fund - This fund receives proceeds of the Village income tax. The proceeds are used to finance capital improvements and acquisitions throughout 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 one significant Enterprise Fund:

Golf Course Fund - This fund receives membership and greens fees as charges for services. This fund also received proceeds from the sale of bonds to finance golf course improvements. The bonded debt will be repaid from net income of the municipal golf course, also accounted for in this fund.

6. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had one such fund:

Court Fund - This fund was used to account for operations of the Village Mayor's Court.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**VILLAGE OF NORTH KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. 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 1998 and 1997 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. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

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:

	<u>1997</u>	<u>1998</u>
Demand deposits	\$ 65,564	\$ 124,187
Certificates of deposit	199,998	300,000
Total deposits	<u>265,562</u>	<u>424,187</u>
Repurchase Agreement	230,000	180,000
STAR Ohio	269,982	183,951
Total investments	499,982	363,951
Total deposits and investments	<u>\$ 765,544</u>	<u>\$ 788,138</u>

**VILLAGE OF NORTH KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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 were limited to a repurchase agreement and STAR Ohio. Nonparticipating investment contracts such as repurchase agreements are reported at cost. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1998 and 1997 follows:

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 556,590	\$ 669,594	\$ 113,004
Special Revenue	502,600	373,514	(129,086)
Debt Service	42,000	70,822	28,822
Capital Projects	40,000	55,401	15,401
Enterprise	300,000	616,569	316,569
Total	\$ 1,441,190	\$ 1,785,900	\$ 344,710

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 888,836	\$ 723,172	\$ 165,664
Special Revenue	645,895	402,791	243,104
Debt Service	42,000	42,419	(419)
Capital Projects	73,000	80,719	(7,719)
Enterprise	510,076	617,358	(107,282)
Total	\$ 2,159,807	\$ 1,866,459	\$ 293,348

1997 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 649,700	\$ 645,872	\$ (3,828)
Special Revenue	487,341	310,935	(176,406)
Debt Service	43,500	13,095	(30,405)
Capital Projects	42,000	63,000	21,000
Enterprise	365,000	424,085	59,085
Total	\$ 1,587,541	\$ 1,456,987	\$ (130,554)

**VILLAGE OF NORTH KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1997 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 850,403	\$ 575,277	\$ 275,126
Special Revenue	617,445	327,072	290,373
Debt Service	43,312	43,713	(401)
Capital Projects	60,000	52,207	7,793
Enterprise	509,446	340,901	168,545
Total	\$ 2,080,606	\$ 1,339,170	\$ 741,436

Appropriations exceeded estimated resources in the General Fund in 1998 and 1997, contrary to Section 5705.36 and 5705.39, Revised Code.

Expenditures exceeded appropriations in the Capital Project Funds (Issue 2 Fund) and the Enterprise Fund (Golf Course Fund) in 1998, contrary to Section 5705.41(B), Revised Code.

The Debt Service fund had a deficit fund balance, contrary to Section 5705.10, Revised Code, which states that monies are to be used only for the purpose of said fund. A deficit balance indicates monies from another fund were used to meet the obligations of the Debt Service Fund.

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 payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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. DEBT

Debt outstanding at December 31, 1998 was as follows:

	Principal	Interest Rate
Special Assessment Bonds	\$ 13,000	7.50%
General Obligation Bonds - Golf Course	17,000	5.90%
General Obligation Bonds - Municipal Building	28,000	5.75%
General Obligation Bonds - Golf Course	160,000	5.00%
Total	\$ 218,000	

**VILLAGE OF NORTH KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

5. DEBT (Continued)

The Special Assessment Bonds were to re-pave certain Village roads. The bonds will be retired from the proceeds of a levy on the taxable property of all benefitting property owners. The bonds will mature on December 1, 1999.

General obligation bonds are for the Village owned golf course. The "Golf Course Improvement Bonds" are to be retired from the proceeds of a levy on all taxable property within the Village through 1999.

General obligation bonds were for paying the costs of constructing an addition to the municipal building. The bonds are to be retired from the proceeds of a levy on all taxable property within the Village through the year 2000.

The "Golf Course Improvement Bonds, Series 1998" were issued for the purpose of paying costs of improving the municipal golf course by constructing cart paths. The bonds are to be retired from the net income from the municipal golf course (to the extent the net income is available for debt charges and is appropriated for that purpose). Otherwise, the bonds are to be retired from the proceeds of a levy on all taxable property within the Village. The Golf Course Improvement Bonds shall mature on December 1, 2003.

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

Year ending December 31:	Special Assessment Bonds	General Obligation Bonds	General Obligation Bonds	Golf Course Improvement Bonds
1999	\$ 14,001	\$ 18,003	\$ 30,415	\$ 40,000
2000	0	0	0	38,400
2001	0	0	0	36,800
2002	0	0	0	35,200
2003	0	0	0	33,600
Total	<u>\$ 14,001</u>	<u>\$ 18,003</u>	<u>\$ 30,415</u>	<u>\$ 184,000</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF 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 1998 and 1997, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1998.

VILLAGE OF NORTH KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Errors and omissions

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public officials' liability
- Vehicle

The Village also provides health insurance to full-time employees through a private carrier.

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STATE OF OHIO
OFFICE OF THE AUDITOR

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

Village of North Kingsville
Ashtabula County
P.O. Box 253
North Kingsville, OH 44068

To the Village Council:

We have audited the accompanying financial statements of the Village of North Kingsville, Ashtabula County, Ohio (the Village), as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated September 29, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1998-31104-001 through 1998-31104-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 29, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 judgement, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1998-31104-005 through 1998-31104-007.

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 over financial reporting that might be material weaknesses. However, of the reportable conditions described above, we considered item 1998-31104-007 to be a material weakness. We also 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 September 29, 2000.

This report is intended for the information and use of the 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, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

September 29, 2000

**VILLAGE OF NORTH KINGSVILLE
SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997**

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

FINDING NUMBER 1998-31104-001

Noncompliance Citation - Certification of Funds

Ohio Rev. 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:

- A. 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.
- B. 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 Council.

Our test of disbursements indicated that 35% of expenditures tested in 1997 and 25% in 1998, contracts and purchases were committed prior to the certification of available funds by the Clerk-Treasurer, and neither exception listed above was followed, contrary to Ohio Rev. Code § 5705.41 (D). This condition does not provide adequate accountability over the Village's disbursements. Expenditures may be incurred which either Council or management has not authorized or which the Village cannot afford. Further, payments may be made to vendors for goods or merchandise never received or services never rendered.

We recommend that all Village departments 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.

FINDING NUMBER 1998-31104-002

Noncompliance Citation - Appropriations Versus Estimated Revenue

Ohio Rev. Code § 5705.39 provides that appropriations from each fund shall not exceed the official estimated revenue available for expenditure as certified by the county budget commission. The Village's General Fund had appropriations which exceeded the estimated revenue certified by the County Budget Commission for the ended December 31, 1998 contrary to Ohio Rev. Code § 5705.39, by the following amounts:

<u>Fund</u>	<u>Total Certified Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General	\$828,823	\$875,791	(\$46,968)

Continuation of this practice may result in a deficit fund balance brought on by actual expenditures exceeding actual revenue for an extended period of time.

FINDING NUMBER 1998-31104-002

Noncompliance Citation - Appropriations Versus Estimated Revenue (Continued)

We recommend that Council compare appropriation balances and actual expenditures with total certified estimated revenue and actual receipts monthly. Appropriation amounts or certified estimated revenue should be adjusted accordingly should it become apparent that actual expenditures will exceed actual receipts within a given fund.

FINDING NUMBER 1998-31104-003

Noncompliance Citation - Expenditures Versus Appropriations

Ohio Rev. Code § 5705.41 (B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. The Village’s Capital Improvement - Issue 2 Fund and the Enterprise - Golf Course Fund had actual expenditures which exceeded prior and current year appropriations in violation of Ohio Rev. Code § 5705.41 (B), by the following amounts:

<u>Fund Type/Fund/Year</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Capital Projects			
Issue 2 Fund (1998)	\$0	\$ 8,831	(\$ 8,831)
Issue 2 Fund (1997)	0	20,606	(20,606)
Enterprise			
Golf Course Fund (1998)	\$510,076	\$610,326	(\$107,282)

This situation may allow for unauthorized or unaffordable purchases to be made. Also, continuation of this practice may result in deficit fund balances brought on by actual expenditures exceeding actual revenue for an extended period of time.

We recommend that Council compare appropriation balances with actual expenditures monthly. Adjustments to spending should be made accordingly should it become apparent that actual expenditures will exceed appropriations within a given fund.

FINDING NUMBER 1998-31104-004

Noncompliance Citation - Deficit Fund Balance

North Kingsville, Ordinances 95-039 and 95-011 provided for the issuance and sale of bonds for the purpose of paying costs for improvements to the Municipal Building and acquisition of Police Department vehicles respectively. A general tax, within the ten mill limitation imposed by law, was levied in an amount sufficient to repay the debt charges on these bonds when due. **Ohio Rev. Code § 5705.10** requires that all revenue derived from general levies which are levied for repayment of principal and interest on serial bonds to be paid into the bond retirement fund.

The payment of principal and interest due on these bond issues during 1997 and 1998 was made from the Village’s Bond Retirement Fund. However, the proceeds of the general tax levied to repay the debt was not placed in the Bond Retirement Fund contrary to Ohio Rev. Code § 5705.10.

As a result of this situation, the Bond Retirement Fund had a deficit fund balance at December 31, 1997 in the amount of \$28,880. This negative fund balance indicated that money from another fund was used to cover the debt expenses of the Bond Retirement Fund.

FINDING NUMBER 1998-31104-005

Reportable Condition

Village Green Golf Course - Memberships

Membership applications were mailed to prior years' members of the Village Green Golf Course. The memberships were sold at either the Village Hall by the Clerk Treasurer or the Golf Course by the Course Manager. The Clerk-Treasurer issued a receipt for any membership purchased at the Village Hall, however, memberships purchased at the Golf Course were neither processed through the cash register nor issued receipts. Further, the Course Manager deposited the membership fees with the Clerk Treasurer without any documentation such as a list of members' names.

Our test of application forms disclosed that three-fourths of the forms were not stamped when received; and one-half of the forms did not include sufficient supporting data to trace its posting to the cash receipts ledger. Although we found no evidence of abuse, these conditions do not provide adequate accountability over golf course memberships sold. Membership fees may be diverted without sufficient documentation to trace its disposition.

To improve controls over the issuance and collection of golf course memberships, we recommend:

1. The function of collecting membership fees should be separated from the function of issuing membership tags. Membership fees should only be paid to the Clerk Treasurer with a properly completed application form. Membership tags should only be issued by the Course Manager upon presentation of an application form stamped "paid" by the Clerk Treasurer.
2. The application forms should be mechanically pre-numbered and printed in duplicate. Each form should be stamped on the date received and reference made to the amount and type of membership. The original application form should be retained by the Clerk Treasurer and filed in numerical order. The copy of the application form should be remitted to the customer to serve as their receipt and authorization to receive their membership tag.
3. Membership fees should be recorded by the Clerk Treasurer to its own receipt code in the Golf Course Fund.
4. Management should periodically reconcile the number of membership tags issued at the Golf Course with the amount of membership fees received in the Golf Course Fund.

FINDING NUMBER 1998-31104-006

Reportable Condition

Village Green Golf Course - Greens Fees

The greens fees cash register had five programmable keys, however, only the following three keys were used to record the greens fees sold:

- Key #2 - carts,
- Key #3 - 9 holes, and
- Key #4 - 18 holes.

FINDING NUMBER 1998-31104-006

Reportable Condition (Continued)

Village of North Kingsville Ordinances No. 97-015 and No. 98-021 established the rates to be charged by the Village Green Golf Course. The Golf Course charged various rates such as daily rates (weekdays), daily rates (weekends and holidays), and other special rates. It could not be determined from the cash register tapes the amounts collected for the various rates as established by the aforementioned ordinances. This system does not provide sufficient information to determine that proper rates are charged nor allows Council to determine whether rates need to be altered due to the frequency of rounds played.

We recommend that a separate cash register key be used for each type of rate charged. A daily summary of the number and types of rounds played should be generated and reconciled with the daily green fees deposited to the bank.

Material Weakness

FINDING NUMBER 1998-31104-007

The Village's financial records had not been reconciled with the Village's depositories for 1998. There were also various posting errors to the records of the Village, which also affected the accuracy of the Village's 1998 annual financial report.

Without a monthly reconciliation between the books and the banks utilized by the Village, and maintaining current and accurate posting of records, undetected errors or irregularities could occur and not be corrected on a timely basis.

As a public entity, the Village needs to present a current and accurate account of its financial operations to the constituents of North Kingsville. Bank reconciliations need to be performed monthly and reviewed by Council. Any errors to the reconciliation should be corrected and/or disclosed as soon as possible. Postings of financial information should also be done on a current basis, and in order for it to be consistent and accurate, the Village Handbook and Chart of Accounts prepared by the Auditor of State's Office needs to be used as a reference.



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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 14, 2000