

***VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Members of Council
Village of North Kingsville
3541 East Center Street
North Kingsville, Ohio 44068-0253

We have reviewed the *Report of Independent Accountants* of the Village of North Kingsville, Ashtabula County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the AOS does not legally require your government 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the AOS permits.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 5, 2007

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**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

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, 2004 and 2003. 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. We believe that 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2004 and 2003. Instead of the combined funds the accompanying financial statements present for 2004 and 2003, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004 and 2003. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, 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, 2004 and 2003, 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, 2004 and 2003, or its changes in financial position or cash flows 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 and reserves for encumbrances of the Village, as of December 31, 2004 and 2003, and its cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2004 and 2003. 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 October 18, 2006, 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 do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal controls 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.

Charles E. Harris & Associates, Inc.

October 18, 2006

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types				Total Memorandum Only
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Other Local Taxes	\$ 615,380	\$ 224,623	-	-	\$ 840,003
Special Assessments	-	6,196	-	11,990	18,186
Intergovernmental	83,875	120,961	-	-	204,836
Charge for Services	9,436	29,077	-	-	38,513
Fines Licenses & Permits	58,729	6,801	-	-	65,530
Earnings on Investments	4,092	941	-	-	5,033
Miscellaneous	6,268	4,086	-	-	10,354
Total Cash Receipts	777,780	392,685	-	11,990	1,182,455
Cash Disbursements:					
Current:					
Security of Persons & Property	314,216	143,989	-	-	458,205
Public Health Services	26,704	1,027	-	-	27,731
Leisure Time Activities	-	8,552	-	-	8,552
Community Environment	3,686	-	-	-	3,686
Transportation	20,689	226,854	-	-	247,543
General Government	292,721	-	-	-	292,721
Capital Outlay	-	-	-	42,960	42,960
Debt Service:					
Principal Payment	-	-	\$ 75,600	111,874	187,474
Interest and Fiscal Charges	-	-	18,091	3,809	21,900
Total Cash Disbursements	658,016	380,422	93,691	158,643	1,290,772
Total Receipts Over/(Under) Disbursements	119,764	12,263	(93,691)	(146,653)	38,336
Other Financing Sources/(Uses):					
Sale of Bonds	-	-	-	72,000	72,000
Sale of Fixed Assets	-	2,525	-	-	2,525
Transfers-In	-	25,000	93,691	322	119,013
Transfers-Out	(25,322)	(40,222)	-	-	(65,544)
Total Other Financing Sources/(Uses)	(25,322)	(12,697)	93,691	72,322	127,994
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	94,442	(434)	-	(74,331)	19,677
Fund Cash Balance, January 1	123,970	311,186	1,641	178,725	615,522
Fund Cash Balance, December 31	\$ 218,412	\$ 310,752	\$ 1,641	\$ 104,394	635,199
Reserve for Encumbrances, December 31	\$ 17,326	4,286	\$ -	\$ 3,954	25,566

See accompanying Notes to the Financial Statements.

VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Total</u>
	<u>Enterprise Fund</u>	<u>Agency Fund</u>	
Operating Cash Receipts:			
Charges for Services	\$ 470,324	\$ 7,177	\$ 477,501
Earnings on Investments	-	2	2
Miscellaneous	-	882	882
	<hr/>	<hr/>	<hr/>
Total Operating Cash Receipts	470,324	8,061	478,385
Operating Cash Disbursements:			
Personal Services	228,605	3,227	231,832
Contractual Services	114,339	-	114,339
Supplies & Materials	89,193	1,022	90,215
Other	34,255	-	34,255
Capital Outlay	12,284	-	12,284
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Total Operating Cash Disbursements	478,676	4,249	482,925
Operating Income/(Loss)	(8,352)	3,812	(5,424)
Non-Operating Cash Receipts/(Disbursements):			
Fines and Forfeitures	-	81,925	81,925
Distribution of Fines	-	(81,925)	(81,925)
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Excess of Receipts Over Disbursements Before Transfers	(8,352)	3,812	(4,540)
Transfers-Out	(53,469)	-	(53,469)
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Net Receipts Over Disbursements	(61,821)	3,812	(58,893)
Fund Cash Balance, January 1	266,908	9,016	275,924
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Fund Cash Balance, December 31	\$ 205,087	\$ 12,828	\$ 217,031
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Reserve for Encumbrances, December 31	\$ 357	\$ 1,586	\$ 1,943
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See accompanying Notes to the Financial Statements.

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types				Total Memorandum Only
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Other Local Taxes	\$ 578,060	\$ 189,588	-	\$ 2,844	\$ 770,492
Special Assessments	-	-	\$ 2,274	-	2,274
Intergovernmental	80,267	136,589	-	-	216,856
Charge for Services	4,427	38,538	-	-	42,965
Fines Licenses & Permits	39,915	5,514	-	-	45,429
Earnings on Investments	3,615	1,328	-	-	4,943
Miscellaneous	3,952	9,449	-	925	14,326
Total Cash Receipts	710,236	381,006	2,274	3,769	1,097,285
Cash Disbursements:					
Current:					
Security of Persons & Property	345,095	91,151	-	2,591	438,837
Public Health Services	26,044	3,028	-	-	29,072
Leisure Time Activities	-	5,678	-	-	5,678
Community Environment	6,369	-	-	-	6,369
Transportation	25,224	219,932	75	-	245,231
General Government	279,300	5,874	-	-	285,174
Capital Outlay	35,932	26,179	-	101,122	163,233
Debt Service:					
Principal Payment	-	-	54,234	30,172	84,406
Interest and Fiscal Charges	-	-	8,568	14,542	23,110
Total Cash Disbursements	717,964	351,842	62,877	148,427	1,281,110
Total Receipts Over/(Under) Disbursements	(7,728)	29,164	(60,603)	(144,658)	(183,825)
Other Financing Sources/(Uses):					
Sale of Notes	-	-	-	95,000	95,000
Sale of Fixed Assets	-	70	-	-	70
Transfers-In	46,015	50,000	58,397	40,208	194,620
Transfers-Out	(50,000)	(40,208)	(29,600)	(16,415)	(136,223)
Advances-In	10,000	-	-	-	10,000
Advance Out	(10,000)	-	-	-	(10,000)
Other Financing Uses	-	-	-	(9,208)	(9,208)
Other Financing Sources	-	3,000	-	-	3,000
Total Other Financing Sources/(Uses)	(3,985)	12,862	28,797	109,585	147,259
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	(11,713)	42,026	(31,806)	(35,073)	(36,566)
Fund Cash Balance, January 1	135,683	269,160	33,447	213,798	652,088
Fund Cash Balance, December 31	\$ 123,970	\$ 311,186	\$ 1,641	\$ 178,725	\$ 615,522
Reserve for Encumbrances, December 31	\$ 3,161	\$ 14,427	\$ -	\$ -	\$ 17,588

See accompanying Notes to the Financial Statements.

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Types	Fiduciary Fund Types	Total
	Enterprise Fund	Agency Fund	
Operating Cash Receipts:			
Charges for Services	\$ 465,798	\$ 7,455	\$ 473,253
Operating Cash Disbursements:			
Personal Services	227,019	-	227,019
Contractual Services	123,005	-	123,005
Supplies & Materials	72,085	7,547	79,632
Capital Outlay	21,717	-	21,717
Total Operating Cash Disbursements	443,826	7,547	451,373
Operating Income/(Loss)	21,972	(92)	21,880
Non-Operating Cash Receipts/(Disbursements):			
Other Non-Operating Receipts	38,110	-	38,110
Fines and Forfeitures	-	55,976	55,976
Distribution of Fines	-	(55,850)	(55,850)
Excess of Receipts Over Disbursements Before Transfers/Advances	60,082	34	60,116
Advance-In	10,000	-	10,000
Transfers-Out	(58,397)	-	(58,397)
Advances-Out	(10,000)	-	(10,000)
Net Receipts Over Disbursements	1,685	34	1,719
Fund Cash Balance, January 1	265,223	8,982	274,205
Fund Cash Balance, December 31	\$ 266,908	\$ 9,016	\$ 275,924
Reserve for Encumbrances, December 31	\$ 1,026	\$ -	\$ 1,026

See accompanying Notes to the Financial Statements.

VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

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 for the purpose of exercising 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

The Village prepares its financial statements following 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH AND INVESTMENTS

Investments are recorded 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.

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of “Fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

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.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village has 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.

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

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

Capital Projects: 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:

VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. FUND ACCOUNTING (continued)

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

Proprietary Fund Types:

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 funds:

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

Fiduciary Funds (Agency Funds): These funds are used to account for custodial funds held by the Village acting as an agent for another government, organization, individual or fund. The Village had the following Fiduciary Fund:

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

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 Village Council must annually approve the 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.

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

A summary of 2004 and 2003 budgetary activity appears in Note 5.

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay 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 CASH EQUIVALENTS

The Village maintains a cash and investment 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:

	2004	2003
Demand Deposits	\$ 627,729	\$ 669,783
Investments:		
STAR Ohio	224,501	221,663
Total deposits and investments	\$ 852,230	\$ 891,446

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) 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.

VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

3. PROPERTY TAXES

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 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.

4. 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.

5. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 719,395	\$ 777,780	\$ 58,385
Special Revenue	407,660	420,210	12,550
Debt Service	93,691	93,691	-
Capital Projects	84,312	84,312	-
Enterprise	445,000	470,324	25,324
Total	\$ 1,750,058	\$ 1,846,317	\$ 96,259

VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

5. BUDGETARY ACTIVITY – (continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 819,536	\$ 700,664	\$ 118,872
Special Revenue	510,706	424,930	85,776
Debt Service	93,691	93,691	-
Capital Projects	209,310	162,597	46,713
Enterprise	621,450	532,502	88,948
Total	<u>\$ 2,254,693</u>	<u>\$ 1,914,384</u>	<u>\$ 340,309</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 749,282	\$ 766,251	\$ 16,969
Special Revenue	486,337	434,076	(52,261)
Debt Service	93,006	60,671	(32,335)
Capital Projects	-	138,977	138,977
Enterprise	486,783	513,908	27,125
Total	<u>\$ 1,815,408</u>	<u>\$ 1,913,883</u>	<u>\$ 98,475</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 839,082	\$ 781,125	\$ 57,957
Special Revenue	514,986	406,477	108,509
Debt Service	52,803	92,477	(39,674)
Capital Projects	106,528	174,050	(67,522)
Enterprise	680,971	513,249	167,722
Total	<u>\$ 2,194,370</u>	<u>\$ 1,967,378</u>	<u>\$ 226,992</u>

VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police & Fire Pension Fund (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS 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 prescribed by the Ohio Revised Code. For 2004 and 2003, 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 through December 31, 2004.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles

Settled Claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs. The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

8. DEBT

Debt outstanding at December 31, 2004 is as follows:

<u>Description</u>	<u>Principal</u>	<u>Interest Rate</u>
Golf Course Improvement Bonds	\$ 110,396	4.04%
General Obligation Bonds-Pickup Truck	28,743	4.79%
General Obligation Bonds-Backhoe	17,237	3.63%
Tamkrist Trail Improvement Bonds	72,000	4.39%
General Obligation Bonds-Fire Truck	202,800	5.60%
	<u>\$ 431,176</u>	

VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

8. DEBT – (continued)

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.

The Tamkrist Trail Improvement Bonds issued in 2004, relate to the improvement and pavement of Tamkrist Trail.

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

Year Ended:	Golf Course Improvement Bonds	G.O. Bonds Pickup Truck	G.O. Bonds Backhoe	Tamkrist Trail Improvement Bonds	G.O. Bonds Fire Truck
2005	\$ 53,514	\$ 10,438	\$ 9,070	\$ 9,050	\$ 40,248
2006	53,478	10,438	9,070	9,050	40,282
2007	-	10,438	-	9,050	40,224
2008	-	-	-	9,050	40,264
2009	-	-	-	9,050	40,299
2010-2014	-	-	-	45,251	40,221
Total	<u>\$ 106,992</u>	<u>\$ 31,314</u>	<u>\$ 18,140</u>	<u>\$ 90,501</u>	<u>\$ 241,538</u>

9. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

10. LEGAL COMPLIANCE

The Village had expenditures plus encumbrances in excess of appropriations in 2003, contrary to Ohio Revised Code Section 5705.41 (B).

11. INTERFUND TRANSFERS

The Village had unauthorized transfers in 2003, contrary to Ohio Rev. Code Section 5705.14, 5705.15, and 5705.16.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS 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 financial statements of the Village of North Kingsville, Ashtabula County, Ohio, (the Village) as and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated October 18, 2006, wherein we noted the Village follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 Controls 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 an opinion on the internal control over financial reporting. 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. 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 18, 2006.

Compliance and Other Matters

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, grant agreements and other matters, 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 several instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2004-01 and 2004-02.

Also, we noted other matters involving compliance that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated October 18, 2006.

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

Charles E. Harris & Associates, Inc.

October 18, 2006

VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

Finding Number: 2004-001 – Noncompliance Citation

Ohio Revised Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been appropriated as provided in such chapter. Furthermore, Ohio Administrative Code 117-2-02 states that all local public offices should integrate the budgetary accounts, at the legal level of control which is the object level for all funds. In 2003, the following funds had total expenditures plus encumbrances expended money in excess of appropriations:

Fund	Appropriations	Expenditures Plus Encumbrances	Variance
Debt - General Obligation Bonds - Golf Course	\$ 52,803	\$ 62,877	\$ (10,074)
Debt - Special Assessment Gore - Transfers Out	-	4,600	(4,600)
Debt - Special Assessment Other - Transfers Out	-	25,000	(25,000)
Capital Projects - Other	-	145,185	(145,185)
Capital Projects - Fire Truck Bond	14,925	15,306	(381)

The legal level of control citations were not disclosed since the Village is cited at the fund level.

We recommend the Village monitor appropriations and expenditures plus encumbrances regularly and amend appropriations as necessary to avoid overspending.

Management agrees and will monitor expenditures compared to appropriations.

Finding Number: 2004-002 – Noncompliance Citation

Ohio Rev. Code Section 5705.14, 5705.15, and 5705.16 states that no transfer can be made from one fund of a subdivision to any other fund, except money may be transferred from the general fund to any fund of the subdivision by resolution of the taxing authority or from one fund to another as is specifically authorized in Ohio Rev. Code Section 5705.14. In 2003, the Village transferred \$25,000 from the Special Assessment Other Fund (Debt Service), \$4,600 from the Special Assessment Gore (Debt Service), and \$16,415 from Police Vehicle Acquisition (Capital Project) to the General Fund. The Village Council approved the resolution authorizing the transfers, however the transfers were not approved by the Court of Common Pleas, which is also a requirement. These monies were not returned since the transferring funds were closed in 2003.

VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY, OHIO
SCHEDULE OF FINDINGS – (CONTINUED)
DECEMBER 31, 2004 AND 2003

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

Finding Number: 2004-002 – Noncompliance Citation – (continued)

We recommend the Village refer to the Ohio Revised Code Section 5705.14 prior to making transfers and make transfers accordingly.

Management plans on referring to the Ohio Revised Code Section 5705.14 before making transfers.

VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2004 and 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain: Per ADAM 2001-10- Disclose the current year finding in this schedule
2002-001	ORC Section 5705.41 (D) - Failure to certify	Yes	Corrected, Finding no longer valid
2002-002	Failure to reconcile cash	Yes	Corrected, Finding no longer valid



Mary Taylor, CPA
Auditor of State

VILLAGE OF NORTH KINGSVILLE
ASHTBAULA 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
MARCH 15, 2007