

VILLAGE OF NORTH KINGSVILLE

ASHTABULA COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2012 and 2011





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of North Kingsville, Ashtabula County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

August 16, 2013

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VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY

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

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of North Kingsville, Ashtabula County (the Village) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

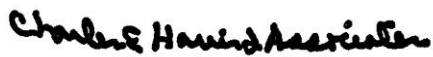
In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of North Kingsville, Ashtabula County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 10 to the financial statements, during 2011 the Village of North Kingsville, Ashtabula County, adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
June 20, 2013

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 154,302	\$ 152,730	\$ -	\$ -	\$ 307,032
Municipal Income Tax	460,873	86,414	-	28,804	576,091
Intergovernmental	72,418	176,142	-	-	248,560
Special Assessments	-	3,658	-	8,770	12,428
Charges for Services	23,425	11,481	-	-	34,906
Fines, Licenses and Permits	160,865	11,446	-	-	172,311
Earnings on Investments	222	9	-	-	231
Miscellaneous	12,796	5,450	-	-	18,246
<i>Total Cash Receipts</i>	<u>884,901</u>	<u>447,330</u>	<u>-</u>	<u>37,574</u>	<u>1,369,805</u>
Cash Disbursements					
Current:					
Security of Persons and Property	492,302	598,189	-	-	1,090,491
Public Health Services	29,508	5,944	-	-	35,452
Leisure Time Activities	-	12,792	-	-	12,792
Community Environment	3,402	-	-	-	3,402
Transportation	-	270,342	-	-	270,342
General Government	354,939	2,674	-	255	357,868
Capital Outlay	-	-	-	97,017	97,017
Debt Service:					
Principal Retirement	-	-	53,303	7,956	61,259
Interest and Fiscal Charges	-	-	9,624	1,094	10,718
<i>Total Cash Disbursements</i>	<u>880,151</u>	<u>889,941</u>	<u>62,927</u>	<u>106,322</u>	<u>1,939,341</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	4,750	(442,611)	(62,927)	(68,748)	(569,536)
Other Financing Receipts (Disbursements)					
Sale of Bonds	-	515,000	-	-	515,000
Sale of Capital Assets	678	-	-	-	678
Transfers In	-	56,000	62,927	66,276	185,203
Transfers Out	(82,872)	(36,591)	-	(65,740)	(185,203)
Advances In	2,800	3,000	-	24,820	30,620
Advances Out	(27,820)	(2,800)	-	-	(30,620)
Other Financing Uses	(458)	-	-	-	(458)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(107,672)</u>	<u>534,609</u>	<u>62,927</u>	<u>25,356</u>	<u>515,220</u>
<i>Net Change in Fund Cash Balances</i>	(102,922)	91,998	-	(43,392)	(54,316)
<i>Fund Cash Balances, January 1</i>	<u>595,711</u>	<u>427,774</u>	<u>-</u>	<u>103,963</u>	<u>1,127,448</u>
Fund Cash Balances, December 31					
Restricted	-	516,755	-	60,571	577,326
Committed	-	3,017	-	-	3,017
Assigned	9,591	-	-	-	9,591
Unassigned	483,198	-	-	-	483,198
<i>Fund Cash Balances, December 31</i>	<u>\$ 492,789</u>	<u>\$ 519,772</u>	<u>\$ -</u>	<u>\$ 60,571</u>	<u>\$ 1,073,132</u>

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

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Fiduciary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$ 383,020	\$ -	\$ 383,020
Miscellaneous	4,373	-	4,373
<i>Total Operating Cash Receipts</i>	387,393	-	387,393
Operating Cash Disbursements			
Personal Services	148,858	-	148,858
Employee Fringe Benefits	29,623	-	29,623
Contractual Services	109,595	-	109,595
Supplies and Materials	76,323	-	76,323
Other	12,246	-	12,246
<i>Total Operating Cash Disbursements</i>	376,645	-	376,645
<i>Operating Income (Loss)</i>	10,748	-	10,748
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	-	110	110
Fines and Forfeitures	-	169,991	169,991
Distribution of Fines and Forfeitures	-	(169,991)	(169,991)
Capital Outlay	(12,800)	-	(12,800)
<i>Total Non-Operating Receipts (Disbursements)</i>	(12,800)	110	(12,690)
<i>Net Change in Fund Cash Balances</i>	(2,052)	110	(1,942)
<i>Fund Cash Balances, January 1</i>	186,045	3,295	189,340
<i>Fund Cash Balances, December 31</i>	<u>\$ 183,993</u>	<u>\$ 3,405</u>	<u>\$ 187,398</u>

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

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 179,465	\$ 102,116	\$ -	\$ -	\$ 281,581
Municipal Income Tax	471,196	88,350	-	29,450	588,996
Intergovernmental	80,111	172,773	-	-	252,884
Special Assessments	-	3,529	-	8,909	12,438
Charges for Services	25,256	9,514	-	-	34,770
Fines, Licenses and Permits	187,702	13,351	-	-	201,053
Earnings on Investments	163	7	-	-	170
Miscellaneous	39,613	12,684	-	-	52,297
	-	-	-	-	-
<i>Total Cash Receipts</i>	<u>983,506</u>	<u>402,324</u>	<u>-</u>	<u>38,359</u>	<u>1,424,189</u>
Cash Disbursements					
Current:					
Security of Persons and Property	483,951	91,700	-	-	575,651
Public Health Services	30,920	4,560	-	-	35,480
Leisure Time Activities	-	11,869	-	-	11,869
Community Environment	3,272	-	-	-	3,272
Transportation	-	273,325	-	260	273,585
General Government	372,281	11,624	-	-	383,905
Capital Outlay	-	-	-	150,055	150,055
Debt Service:					
Principal Retirement	-	-	11,098	7,621	18,719
Interest and Fiscal Charges	-	-	2,070	1,429	3,499
	-	-	-	-	-
<i>Total Cash Disbursements</i>	<u>890,424</u>	<u>393,078</u>	<u>13,168</u>	<u>159,365</u>	<u>1,456,035</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	93,082	9,246	(13,168)	(121,006)	(31,846)
Other Financing Receipts (Disbursements)					
Sale of Bonds	-	-	-	120,000	120,000
Sale of Capital Assets	3,032	-	-	-	3,032
Transfers In	-	22,840	13,168	80,401	116,409
Transfers Out	(36,409)	-	-	(80,000)	(116,409)
Advances In	-	2,800	-	-	2,800
Advances Out	(2,800)	-	-	-	(2,800)
	-	-	-	-	-
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(36,177)</u>	<u>25,640</u>	<u>13,168</u>	<u>120,401</u>	<u>123,032</u>
<i>Net Change in Fund Cash Balances</i>	56,905	34,886	-	(605)	91,186
<i>Fund Cash Balances, January 1</i>	<u>538,806</u>	<u>392,888</u>	<u>-</u>	<u>104,568</u>	<u>1,036,262</u>
Fund Cash Balances, December 31					
Restricted	-	424,834	-	103,963	528,797
Committed	-	2,940	-	-	2,940
Assigned	5,946	-	-	-	5,946
Unassigned	589,765	-	-	-	589,765
	-	-	-	-	-
<i>Fund Cash Balances, December 31</i>	<u>\$ 595,711</u>	<u>\$ 427,774</u>	<u>\$ -</u>	<u>\$ 103,963</u>	<u>\$ 1,127,448</u>

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

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Fiduciary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$ 349,127	\$ -	\$ 349,127
Miscellaneous	11,399	-	11,399
<i>Total Operating Cash Receipts</i>	360,526	-	360,526
Operating Cash Disbursements			
Personal Services	125,333	-	125,333
Employee Fringe Benefits	25,461	-	25,461
Contractual Services	119,790	-	119,790
Supplies and Materials	73,031	-	73,031
Other	12,394	-	12,394
<i>Total Operating Cash Disbursements</i>	356,009	-	356,009
<i>Operating Income (Loss)</i>	4,517	-	4,517
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	-	51	51
Fines and Forfeitures	-	204,675	204,675
Distribution of Fines and Forfeitures	-	(204,840)	(204,840)
Capital Outlay	(3,347)	-	(3,347)
<i>Total Non-Operating Receipts (Disbursements)</i>	(3,347)	(114)	(3,461)
<i>Net Change in Fund Cash Balances</i>	1,170	(114)	1,056
<i>Fund Cash Balances, January 1</i>	184,875	3,409	188,284
<i>Fund Cash Balances, December 31</i>	<u>\$ 186,045</u>	<u>\$ 3,295</u>	<u>\$ 189,340</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
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of North Kingsville, Ashtabula County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. 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. Accounting Basis

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

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

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit and STAR Ohio at cost.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

These funds account for and report financial resources that are restricted to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

Fire Truck Bond Fund – This fund receives transfers from the Fire Truck Bond Levy Fund to pay the debt for a fire truck.

Street Truck Bond Fund – This fund receives transfers from the General Fund to pay the debt for a dump truck.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Other Capital Project 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 to recover the significant costs of providing certain goods or services 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.

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has no trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for Mayor's Court deposits which consist of mayor's court fines and fees. A portion of these revenues are paid to the Village's General Fund and the remainder is remitted to the State of Ohio and Ashtabula County.

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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 Village 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

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

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

2. Equity in Pooled Deposits and Investments (Continued)

	2012	2011
Demand deposits	\$ 957,180	\$ 1,013,670
STAR Ohio	303,350	303,118
Total deposits and investments	\$ 1,260,530	\$ 1,316,788

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or 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.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 906,930	\$ 885,579	\$ (21,351)
Special Revenue	1,016,062	1,018,330	2,268
Debt Service	62,927	62,927	-
Capital Projects	173,300	103,850	(69,450)
Enterprise	385,740	387,393	1,653

2012 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,105,706	\$ 973,072	\$ 132,634
Special Revenue	1,094,690	930,018	164,672
Debt Service	62,927	62,927	-
Capital Projects	276,302	186,317	89,985
Enterprise	443,810	389,532	54,278

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 976,065	\$ 986,538	\$ 10,473
Special Revenue	421,913	425,164	3,251
Debt Service	13,168	13,168	-
Capital Projects	270,310	238,760	(31,550)
Enterprise	358,700	360,526	1,826

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,075,073	\$ 932,779	\$ 142,294
Special Revenue	524,949	400,335	124,614
Debt Service	13,168	13,168	-
Capital Projects	358,389	287,244	71,145
Enterprise	478,634	359,359	119,275

5. Property Tax

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

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

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

6. 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.

6. Debt

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Tamkrist Trail Improvement Bond	\$ 16,974	4.39%
Vehicle Acquisition Bond	86,129	3.45%
Fire Truck Bond	484,470	1.90%
Total	\$ 587,573	

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

6. Debt (Continued)

The Tamkrist Trail Improvement Bond issued in 2004, relates to the improvement and pavement of Tamkrist Trail.

The Village issued the Vehicle Acquisition Bond for the amount of \$120,000 in May 2011 for the purpose of acquiring a dump truck for the Street Department. The bond carries an interest rate of 3.45% and will be repaid semi-annually over 5 years.

In April 2012, the Village issued the Fire Truck Bond for the amount of \$515,000 for the purpose of acquiring a fire pumper and related equipment. The bond carries an interest rate of 1.9% and will be repaid semi-annually over 10 years.

Amortization of the above debt, including interest, follows:

Year ending December 31:	Tamkrist Improvement Bond	Vehicle Acquisition Bond	Fire Truck Bond
2013	\$ 9,050	\$ 26,334	\$ 59,072
2014	9,050	26,334	59,072
2015	-	26,334	59,072
2016	-	13,167	59,072
2017	-	-	59,072
2018-2012	-	-	236,288
Total	<u>\$ 18,100</u>	<u>\$ 92,169</u>	<u>\$ 531,648</u>

7. Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

8. Risk Management

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

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

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

8. Risk Management (Continued)

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2011, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010 (the latest information available):

	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	(14,187,273)	(14,320,812)
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$34,055.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
\$37,016	\$35,701

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

8. Risk Management (Continued)

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

9. Contingent Liabilities/Subsequent Events

Management believes that there are no pending claims or lawsuits.

10. Change in Accounting Principle

For 2011, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balances as previously reported.

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

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of North Kingsville, Ashtabula County (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated June 20, 2013, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted the Village implemented Governmental Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

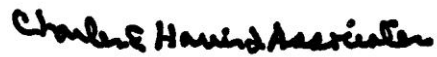
Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Village in a separate letter dated June 20, 2013.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
June 20, 2013

**VILLAGE OF NORTH KINGSVILLE
ASHTABULA COUNTY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit, for the years ended December 31, 2010 and 2009, reported no material citations or recommendations.

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Dave Yost • Auditor of State

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
AUGUST 29, 2013**