



Mary Taylor, CPA
Auditor of State

VILLAGE OF NORTH STAR
DARKE COUNTY

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Mary Taylor, CPA
Auditor of State

Village of North Star
Darke County
P.O. Box 87
North Star, Ohio 45350

To the Village Council:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 9, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of North Star
Darke County
P.O. Box 87
North Star, Ohio 45350

To the Village Council:

We have audited the accompanying financial statements of Village of North Star, Darke County, (the Village) as of and for the years ended December 31, 2009 and 2008. 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 our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 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, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of North Star, Darke County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

July 9, 2010

**VILLAGE OF NORTH STAR
DARKE COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$2,495			\$2,495
Intergovernmental	80,360	\$13,697	\$8,997	103,054
Special Assessments	7,192			7,192
Charges for Services	2,222			2,222
Earnings on Investments	3,616	1,035		4,651
Miscellaneous	6,975			6,975
Total Cash Receipts	<u>102,860</u>	<u>14,732</u>	<u>8,997</u>	<u>126,589</u>
Cash Disbursements:				
Current:				
Leisure Time Activities	9,974			9,974
Basic Utility Service	3,267			3,267
Transportation		983		983
General Government	52,532			52,532
Debt Service:				
Redemption of Principal	2,329			2,329
Capital Outlay	7,488		8,997	16,485
Total Cash Disbursements	<u>75,590</u>	<u>983</u>	<u>8,997</u>	<u>85,570</u>
Total Receipts Over Disbursements	<u>27,270</u>	<u>13,749</u>		<u>41,019</u>
Fund Cash Balances, January 1	<u>307,638</u>	<u>83,842</u>		<u>391,480</u>
Fund Cash Balances, December 31	<u>\$334,908</u>	<u>\$97,591</u>	<u>\$0</u>	<u>\$432,499</u>

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

**VILLAGE OF NORTH STAR
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$2,052			\$2,052
Intergovernmental	132,829	\$12,058	\$74,036	218,923
Special Assessments	4,327			4,327
Charges for Services	2,173			2,173
Earnings on Investments	6,899	1,828		8,727
Miscellaneous	824			824
Total Cash Receipts	<u>149,104</u>	<u>13,886</u>	<u>74,036</u>	<u>237,026</u>
Cash Disbursements:				
Current:				
Public Health Services	629			629
Leisure Time Activities	3,640			3,640
Basic Utility Service	5,501			5,501
Transportation		8,769		8,769
General Government	83,783			83,783
Debt Service:				
Redemption of Principal	1,628			1,628
Capital Outlay	54,378		74,036	128,414
Total Cash Disbursements	<u>149,559</u>	<u>8,769</u>	<u>74,036</u>	<u>232,364</u>
Total Receipts Over/(Under) Disbursements	<u>(455)</u>	<u>5,117</u>		<u>4,662</u>
Fund Cash Balances, January 1	<u>308,093</u>	<u>78,725</u>		<u>386,818</u>
Fund Cash Balances, December 31	<u>\$307,638</u>	<u>\$83,842</u>	<u>\$0</u>	<u>\$391,480</u>

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

**VILLAGE OF NORTH STAR
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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 Star, Darke County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including street maintenance, refuse, and park operations. The Village contracts with North Star Fire Association to receive fire protection services. The Village appropriates general fund money to support a volunteer fire department.

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

The Village's certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

State Highway Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing state highways.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Star Road Project Fund – This fund receives Ohio Public Works Commission monies. The monies are being used to construct a new road.

**VILLAGE OF NORTH STAR
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. 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:

	<u>2009</u>	<u>2008</u>
Demand deposits	\$180,282	\$141,836
Certificates of deposit	177,172	174,550
Other time deposits (money market)	75,045	75,094
Total deposits	<u>\$432,499</u>	<u>\$391,480</u>

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

**VILLAGE OF NORTH STAR
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 80,000	\$102,860	\$ 22,860
Special Revenue	25,000	14,732	(10,268)
Capital Projects	125,000	8,997	(116,003)
Total	<u>\$230,000</u>	<u>\$126,589</u>	<u>(\$103,411)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$244,000	\$75,590	\$168,410
Special Revenue	104,000	983	103,017
Capital Projects		8,997	(8,997)
Total	<u>\$348,000</u>	<u>\$85,570</u>	<u>\$262,430</u>

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 85,928	\$149,104	\$63,176
Special Revenue	25,000	13,886	(11,114)
Capital Projects	125,000	74,036	(50,964)
Total	<u>\$235,928</u>	<u>\$237,026</u>	<u>\$ 1,098</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$393,092	\$149,559	\$243,533
Special Revenue	102,811	8,769	94,042
Capital Projects	107,650	74,036	33,614
Total	<u>\$603,553</u>	<u>\$232,364</u>	<u>\$371,189</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Star Road Project Fund by \$8,997 for the year ended December 31, 2009. Also contrary to Ohio law, at December 31, 2008, the Street Maintenance Fund had appropriations in excess of the available resources in amount of \$1,168 and the State Highway Fund by \$9,032. In the Capital Projects Fund Type, the Star Road Project Fund had appropriations in excess of the available resources in amount of \$33,614. At December 31, 2009, the State Highway Fund had appropriations in excess of available resources by \$8,844, in violation of Ohio Rev. Code Section 5705.36(A)(4).

4. 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.

**VILLAGE OF NORTH STAR
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. PROPERTY TAX (Continued)

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, 2009 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan - Main St.	\$ 12,987	0%
Ohio Public Works Commission Loan - Star Rd.	25,928	0%
Ohio Water Development Authority Loan #4897	130,648	0%
Total	\$169,563	

The Ohio Water Development Authority (OWDA) Loan #4897 relates to a sanitary sewer design project through the Water Pollution Control Loan Fund ("WPCLF"). The amortization schedule for this loan has not been completed by OWDA.

The Ohio Public Works Commission (OPWC) loans relate to improvements to Main Street and Star Road. Both loans will be repaid in semiannual installments over twenty years. The Main Street loan matures in 2024 with semiannual installments of \$464 and the Star Road loan matures in 2028 with semiannual installments of \$701.

Amortization of the above debt, is scheduled as follows:

Year ending December 31:	OPWC Loan Main Street	OPWC Loan Star Road	Total
2010	\$ 464	\$ 701	\$ 1,165
2011	928	1,402	2,330
2012	928	1,402	2,330
2013	928	1,402	2,330
2014	928	1,402	2,330
2015-2019	4,639	7,008	11,647
2020-2024	4,172	7,008	11,180
2025-2028		5,603	5,603
Total	\$12,987	\$25,928	\$38,915

6. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). 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 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**VILLAGE OF NORTH STAR
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

8. SUBSEQUENT EVENTS

The Village will have a sanitary sewer project in amount of \$2,320,470 in 2010. The funding for this project included \$600,000 grant from Community Development Block Grant, \$399,000 grant from Ohio Public Works Commission, \$1,321,470 loan from Ohio Water Development Authority (OWDA). The Village has also been approved to received \$490,000 in American Recovery and Reinvestment Act (ARRA) money to offset their loan with OWDA.

The Village adopted a 1% income tax effective July 1, 2010, but then reduced it to ½%, with the option to adjust it back to 1% on April 1, 2011.

9. NONCOMPLIANCE

The Village failed to properly classify various transactions in its books and properly present its annual report as required by law.

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Mary Taylor, CPA

Auditor of State

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

Village of North Star
Darke County
P.O. Box 87
North Star, Ohio 45350

To the Village Council:

We have audited the financial statements of the Village of North Star, Darke County, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 9, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-004 and 2009-005 as described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 9, 2010.

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

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

Mary Taylor, CPA
Auditor of State

July 9, 2010

VILLAGE OF NORTH STAR
DARKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract 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 encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board of Commissioners (the Board) can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by resolution. Amounts of less than \$100 may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.
2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Council may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village of North Star did not properly certify the availability of funds prior to purchase commitment for 76% (\$44,108 out of \$58,129 expenditures tested) in 2009 and 96% (\$106,884 out of \$110,978 expenditures tested) in 2008, and there was no evidence that Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and lead to negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Village should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, "then and now" certification should be used.

FINDING NUMBER 2009-002

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

Ohio Rev. Code Section 5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

Ohio Rev. Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

The following fund had actual available resources (Actual Revenues plus Unencumbered Balance) below the current level of appropriations at December 31, 2009:

<u>Fund</u>	<u>Appropriations</u>	<u>Available Resources</u>	<u>Variance</u>
State Highway Fund	\$14,000	\$5,156	(\$8,844)

The following funds had actual available resources (Actual Revenues plus Unencumbered Balance) below the current level of appropriation at December 31, 2008:

<u>Fund</u>	<u>Appropriations</u>	<u>Available Resources</u>	<u>Variance</u>
Street Maintenance Fund	\$89,248	\$88,080	(\$1,168)
State Highway Fund	13,563	4,531	(9,032)
Star Road Project Fund	107,650	74,036	(33,614)

The Village should monitor estimated and actual revenues throughout the year and obtain an amended certificate if revenues are going to significantly vary from the original estimate to prevent over-appropriating available resources.

FINDING NUMBER 2009-003

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) prohibits expenditures unless the funds have been properly appropriated. This prohibits expenditures from exceeding appropriations. Contrary to this requirement the Village had the following expenditures in excess of the amounts appropriated at December 31, 2009:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Actual Expenditures</u>	<u>Variance</u>
Star Road Project Fund	\$0	\$8,997	(\$8,997)

To prevent deficits from occurring, the Village should not expend funds unless the funds have been appropriated by the Council.

The Clerk-Treasurer should closely monitor the Village budgetary financial reports throughout the year so that expenditures do not exceed the appropriations at the legal level of control.

FINDING NUMBER 2009-004

Noncompliance Citation / Material Weakness

Ohio Rev. Code Section 733.28 requires the fiscal officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

The Village did not properly classify various receipt and disbursement transactions. The following errors were noted on the Village's annual reports:

- 2009 and 2008 annual report did not present the Star Road Fund (Capital Projects Fund), which understated the on-behalf revenue and expenditures received from Ohio Public Works Commission and Ohio Department of Transportation by \$8,997 and \$74,036, respectively. Additionally, \$25,466 of this funding was not posted to the General Fund in 2008.
- 2009 and 2008 debt payments of \$1,628 and \$2,329, respectively. were not recorded on the annual report.
- 2009 and 2008 interest of \$1,035 and \$1,828, respectively, was not posted to the Special Revenue Funds, which receive gas tax monies; along with \$2,429 and \$5,002 interest revenue earned from checking, money market account and certificate of deposit that was not posted to the Village's books.
- 2009 and 2008 ending unaudited fund balances were understated by \$192,859 and \$8,029 in the General Fund, by \$1,577 and \$517 in the State Highway Fund; and overstated by \$6,105 and understated by \$5,996 in the Street Maintenance Fund.
- In 2009 and 2008 there also were various other posting errors that caused the revenue to be understated by \$52,113 and overstated by \$3,820 respectively in the General Fund; overstated by \$13,013 and understated by \$8,662 in the Street Maintenance Fund; and understated by \$1,027 and \$878 in the State Highway Fund.
- In 2009 and 2008, there also were various posting errors that caused the expenditures to be overstated by \$4,869 and \$16,991, respectively, in the General Fund; understated by \$3,839 and overstated by \$4,405, respectively, in Street Maintenance Fund; understated by \$391 and overstated by \$450, respectively, in the State Highway Fund

Additionally there were inconsistencies in fund names noted in the subsidiary ledger and cashbook compared to the prior audit report; the 2008 Special Revenue Fund was only presented on the combining trials, not combined trials; the subsidiary ledger amounts did not foot for several accounts nor did they agree to the annual report presentation; the 2009 General Fund had amounts shown as Special Revenue Fund line items in the combining trials; the 2009 and 2008 Special Revenue combining trials did not foot; the 2009 and 2008 annual report did not reconcile to the year-end bank reconciliation, and the annual report's reconciliation was not in agreement with the client's reconciliation on the bank statements.

The 2009 and 2008 annual reports required numerous audit adjustments and reclassifications for proper presentation. The adjustments are reflected on the audited financial statements and have been posted to the Village's records. The Village clerk-treasurer should review the Village Handbook for proper posting and use due care in preparation of the annual report. The Village clerk-treasurer should also obtain assistance in the determination of proper posting when necessary.

**FINDING NUMBER 2009-004
(Continued)**

Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts. The clerk-treasurer should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted in accordance with the Village chart of accounts. Additionally, the Village should have someone independent of the record keeping process review the records periodically for proper postings.

FINDING NUMBER 2009-005

Noncompliance Citation / Material Weakness

Ohio Const. Article XII, Section 5a and Ohio Attorney General Opinion No. 82-031 concluded that Ohio Const. art. XII, 5a requires that interest earned on motor vehicle fuel tax proceeds be credited to the special fund to which the principal belongs, rather than being paid into the general fund.

The Village did not post interest earned in amount of \$1,035, which represented 7% of the Special Revenue Fund revenue in 2009 and \$1,828, which represented 14% of the Special Revenue Fund revenue in 2008. The accompanying financial statements contain the required adjustments to reflect the interest earned in the funds receiving motor fuel taxes.

The Village should develop policies and implement procedures to periodically allocate interest to the Street Maintenance Fund and State Highway Funds. In addition, the Council should periodically monitor that interest has been allocated to these funds by reviewing the funds' revenue activity.

Officials' Response:

We received no response from officials to above findings.

**VILLAGE OF NORTH STAR
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Rev. Code Section 5705.36	No	Not Corrected. Reissued as Finding Number 2009-002
2007-002	Ohio Rev. Code Section 5705.41(B)	No	Not Corrected. Reissued as Finding Number 2009-003
2007-003	Ohio Rev. Code Section 5705.41(D)	No	Not Corrected. Reissued as Finding Number 2009-001
2007-004	Payroll and Filings	No	Partially Corrected. See comments in separate letter to management.
2007-005	Ohio Rev. Code Section 733.28	No	Not Corrected. Reissued as Finding Number 2009-004
2007-006	Developing and Implementing an Effective Monitoring Control System	No	Partially Corrected. See comments in separate letter to management.



Mary Taylor, CPA
Auditor of State

VILLAGE OF NORTH STAR

DARKE 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 19, 2010**