

VILLAGE OF NORTH STAR

DAYTON REGION, DARKE COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 - 2006



Mary Taylor, CPA

Auditor of State

Members of Village Council
Village of North Star
P.O. Box 87
North Star, Ohio 45350

We have reviewed the *Independent Accountants' Report* of the Village of North Star, Darke County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2006 through December 31, 2007. 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. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State 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 *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State 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 Star is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 14, 2008

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**VILLAGE OF NORTH STAR
DARKE COUNTY**

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MANNING & ASSOCIATES CPAs, LLC
6105 North Dixie Drive
Dayton, Ohio 45414

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying financial statements of the Village of North Star, Darke County, Ohio (the Village), as of and for the years ended December 31, 2007, and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on the 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 its financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United State 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 the Village 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, 2007 and 2006 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, 2007 and 2006 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 the Village of North Star, Darke County, as of December 31, 2007 and 2006, 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 in necessary to supplement, although not required to be past of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 21, 2008, 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.

Manning & Associates, CPAs, LLC
Dayton, Ohio

April 21, 2008

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**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, 2007

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Capital Projects	Total (Memorandum Only)
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 9,000	\$ 0	\$ 0	\$ 9,000
Intergovernmental Receipts	31,550	12,970	305,324	349,844
Charges for Services	3,252	0	0	3,252
Special Assessments	4,498	0	0	4,498
Earnings on Investments	10,437	1,232	0	11,669
Miscellaneous	1,750	0	0	1,750
Total Cash Receipts	<u>60,487</u>	<u>14,202</u>	<u>305,324</u>	<u>380,013</u>
Cash Disbursements:				
Security of Persons and Property	4,258	0	0	4,258
Leisure Time Activities	10,055	0	0	10,055
Health	1,033	0	0	1,033
Basic Utility Services	3,384	0	0	3,384
Transportation	162	23,598	0	23,760
General Government	23,931	0	0	23,931
Capital Outlay	30,846	0	305,324	336,170
Debt Service:				
Principal Payments	928	0	0	928
Total Cash Disbursements	<u>74,597</u>	<u>23,598</u>	<u>305,324</u>	<u>403,519</u>
Total Receipts Over/(Under) Disbursements	(14,110)	(9,396)	0	(23,506)
Other Financing Receipts/(Disbursements):				
Sale of Notes	30,846	0	0	30,846
Total Other Financing Receipts/(Disbursements)	<u>30,846</u>	<u>0</u>	<u>0</u>	<u>30,846</u>
Excess of Cash Receipts and Other Financing Receipts over/(under) Cash Disbursements and Other Financing Disbursements	16,736	(9,396)	0	7,340
Fund Cash Balances, January 1,	<u>291,357</u>	<u>88,121</u>	<u>0</u>	<u>379,478</u>
Fund Cash Balances, December 31,	<u>\$ 308,093</u>	<u>\$ 78,725</u>	<u>\$ 0</u>	<u>\$ 386,818</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, 2006

	GOVERNMENTAL FUND TYPES		Total (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 11,247	\$ 0	\$ 11,247
Intergovernmental Receipts	37,250	14,010	51,260
Charges for Services	3,071	0	3,071
Special Assessments	2,947	0	2,947
Earnings on Investments	7,873	1,106	8,979
Miscellaneous	2,172	0	2,172
Total Cash Receipts	<u>64,560</u>	<u>15,116</u>	<u>79,676</u>
Cash Disbursements:			
Security of Persons and Property	4,176	0	4,176
Leisure Time Activities	9,671	0	9,671
Health	996	0	996
Basic Utility Services	3,690	0	3,690
Transportation	0	4,763	4,763
General Government	19,515	0	19,515
Debt Service:			
Principal Payments	928	0	928
Total Cash Disbursements	<u>38,976</u>	<u>4,763</u>	<u>43,739</u>
Total Receipts Over/(Under) Disbursements	25,584	10,353	35,937
Fund Cash Balances, January 1,	<u>265,773</u>	<u>77,768</u>	<u>343,541</u>
Fund Cash Balances, December 31,	<u>\$ 291,357</u>	<u>\$ 88,121</u>	<u>\$ 379,478</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
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of North Star of Darke County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected Mayor and six-member Council. The Village provides general governmental services, including street maintenance, refuse service, park operations, leisure time activities, and police service.

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Village values certificates of deposit at cost.

D. Fund Accounting

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

General Fund:

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

**VILLAGE OF NORTH STAR
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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 money for constructing, maintaining, and repairing Village streets.

State Highway Improvement Fund – This fund receives shared revenue from gasoline sales for constructing, maintaining, and repairing State Highways.

Capital Projects Funds:

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant Capital Projects Fund:

Star Road Project – This fund accumulates Ohio Public Works Commission monies received and paid out on behalf of the Village.

E. Budgetary Process

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

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. Appropriations lapse at year end.

Estimated Resources

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

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 reappropriated in the subsequent year.

**VILLAGE OF NORTH STAR
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

A summary of 2007 and 2006 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 CASH AND INVESTMENTS

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

	<u>2007</u>	<u>2006</u>
Demand Deposits	\$ 144,318	\$ 136,978
Certificates of Deposit	<u>242,500</u>	<u>242,500</u>
Total Deposits	<u>\$ 386,818</u>	<u>\$ 379,478</u>

Deposits:

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF NORTH STAR
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2007 was as follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 90,000	91,333 \$	1,333
Special Revenue	15,500	14,202	(1,298)
Capital Projects	285,324	305,324	20,000
Total	<u>\$ 390,824</u>	<u>\$ 410,859</u>	<u>\$ 20,035</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 381,350	74,597 \$	306,753
Special Revenue	103,628	23,598	80,030
Capital Projects	285,324	305,324	(20,000)
Total	<u>\$ 770,302</u>	<u>\$ 403,519</u>	<u>\$ 366,783</u>

Budgetary activity for the year ending December 31, 2006 was as follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 250,395	64,560 \$	(185,835)
Special Revenue	31,900	15,116	(16,784)
Total	<u>\$ 282,295</u>	<u>\$ 79,676</u>	<u>\$ (202,619)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 416,168	38,976 \$	377,192
Special Revenue	109,668	4,763	104,905
Total	<u>\$ 525,836</u>	<u>\$ 43,739</u>	<u>\$ 482,097</u>

Contrary to Ohio Law, estimated resources exceeded actual receipts in 2007 in the Street Mtce Fund and Highway Fund by \$1,128 and \$170, respectively, and in 2006, the General Fund and Street Mtce Fund by \$185,835 and \$17,293, respectively. In 2007 expenditures exceeded appropriations in the Capital Projects Fund by \$20,000.

**VILLAGE OF NORTH STAR
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates 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.

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, 2007 was as follows:

	<u>Principal</u>	<u>Interest</u>
OPWC – Main Street Reconstruction	\$14,843	0%
OPWC – Star Road Construction	30,846	0%

The OPWC loans relate to improvements for Main Street and the Star Road Construction project. Both loans will be repaid in semiannual installments over 20 years. The Main Street loan matures in 2024, and the Star Road loan matures in 2028.

Amortization of the above debt is scheduled as follows:

	<u>OPWC Main Street</u>	<u>OPWC Star Road</u>
2008	\$464	\$0
2009	928	1,542
2010	928	1,542
2011	928	1,542
2012	928	1,542
2013-2017	4,639	7,712
2018-2022	4,639	7,712
2023-2028	1,389	9,254
TOTAL	\$14,843	\$30,846

**VILLAGE OF NORTH STAR
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

6. RETIREMENT SYSTEMS

The Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9.0%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

7. RISK MANAGEMENT

Commercial Insurance

In 2007 and 2006, the Village has obtained commercial insurance for the following risks:

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

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MANNING & ASSOCIATES CPAs, LLC
6105 North Dixie Drive
Dayton, Ohio 45414

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

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

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, 2007 and 2006, and have issued our report thereon dated April 21, 2008, 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 expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a control deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal controls over the financial reporting: 2007-004 through 2007-006.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2007-005 and 2007-006 are also material weaknesses.

We also noted certain other matters that we reported to the Village's management in a separate letter dated April 21, 2008.

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 grants 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 2007-001 through 2007-003.

We did note certain other matters that we reported to the Village's management in a separate letter dated April 21, 2008.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we do not express an opinion on them.

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

Manning & Associates CPAs, LLC
Dayton, Ohio

April 21, 2008

**VILLAGE OF NORTH STAR
DARKE COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Ohio Rev. Code, Section 5705.36 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.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below that current level of appropriation.

The following funds were determined to have estimated receipts significantly in excess of actual receipts:

<u>Fund Name</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
2007			
Street Mtce Fund	\$14,000	\$12,872	(\$1,128)
Highway Fund	1,500	1,330	(170)
2006			
General Fund	\$250,395	\$64,560	(\$185,835)
Street Mtce Fund	31,000	13,707	(17,293)

Failure to obtain the amended certificate of estimated resources did not provide the trustees with an accurate estimate of resources available for appropriations which could lead to negative fund balances. The Board should monitor receipts and amend estimated receipts when necessary to keep estimated receipts in line with actual receipts and make corresponding amendments to its appropriations and disbursements.

Response: The Village will monitor budgetary compliance more closely.

FINDING NUMBER 2007-002

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit shall expend money unless it has been appropriated. In 2007 the Village had instances where budgetary expenditures exceeded the amounts appropriated at the legal level of control:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Capital Project Fund	2007 \$285,324	\$305,324	(\$20,000)

**VILLAGE OF NORTH STAR
DARKE COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-002, continued

The Village should monitor appropriations and expenditures throughout the year, making amendments to appropriations as needed to comply with the requirement that expenditures cannot exceed the amounts appropriated at the legal level of control. Implementing these procedures will also reduce the risk that the Village expends or certifies as available more resources than were legally appropriated by the Village Council.

Response: Fiscal Officer will monitor budgetary compliance more closely in the future.

FINDING NUMBER 2007-003

Ohio Rev. Code Section 5705.41 (D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance 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 or expenditures by the Village.

- 2. Blanket certificate** – Fiscal Officers may prepare "blanket" certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by the legislative authority, effective September 26, 2003) against any specific line item account over a period exceeding three months (three month limitation was eliminated effective September 26, 2003) or running beyond the current 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.

**VILLAGE OF NORTH STAR
DARKE COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-003, continued

- 3. Super blanket certificate** – The Village 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 not be outstanding at a particular time for any one line item appropriation.

Eleven expenditures in 2007 and twelve expenditures in 2006 were not properly certified prior to the Village incurring an expense, “Then and Now” purchase orders were not used by the Village. Unless the exception noted above is 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, we recommend that the Village’s Fiscal Officer certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

Response: Fiscal Officer will review the proper use of purchase orders.

FINDING NUMBER 2007-004

Payroll and Filings

The Village failed to file payroll tax filings accurately with the appropriate agencies, in which penalties and interest was assessed to the Village. On the 2005 4th quarter and the 2006 2nd quarter Ohio Job and Family Services tax returns were not filed by the corresponding due date, which may lead to interest and a late filing fee for each occurrence.

Response: New Fiscal Officer in place, implementation of review procedures for payroll filings has been completed.

FINDING NUMBER 2007-005

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 receipt and disbursement transactions. The following misstatements were noted on the annual report:

**VILLAGE OF NORTH STAR
DARKE COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-005, continued

- A. Debt activity of the Village was not properly recorded in the Village annual report or debt schedule. Debt proceeds were not reflected at all.
- B. The Village's budgetary financial statements in the annual report did not agree with amounts reported to the County. The annual report did not reflect all budgetary reporting for both years.
- C. Improper posting of Revenues.
- D. Numerical irregularities were noted on the annual report; supporting balances did not always agree to all schedules in the report.

All of these conditions resulted in inaccurate accounting records.

We recommend the Village post all entries in chronological order, reflecting month-to-date and year-to-date totals. We also recommend the Village reconcile the cash journal to the bank, the receipt ledger, and the appropriation ledger on a monthly basis. Implementation of these procedures will add a substantial measure of control to the receipt and expenditure process, as well as provide assurance that the activity is properly handled and fairly represented on the Village's ledgers and financial reports. The Village has made these adjustments to their books and the adjustments are reflected in the financial statements.

Response: The Village will review its current accounting methods and implement changes where needed.

FINDING NUMBER 2007-006

Developing and Implementing an Effective Monitoring Control System

The Village's monitoring control system which assists management in detecting material misstatements in financial or other information could be strengthened in the following area:

- Monthly review of unusual or significant items on the bank-to-book reconciliation, such as long outstanding checks or deposits; and unauthorized checks, review of vendors.

The Fiscal Officer's signature alone appears on both purchase orders and warrants and she alone receives and reviews the bank statements. Although the minutes show that Council approval is obtained for the payment of bills, controls should be implemented to ensure that only approved checks are written.

A monthly comparison of the bank statement to authorized checks by Council and/or possibly requiring two signatures on each check would greatly improve controls. Council oversight is imperative since there is no separation of duties in the accounting functions.

Response: Council will establish monitoring procedures to ensure expenditures are for Village purposes.



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 26, 2008**