



Dave Yost • Auditor of State

VILLAGE OF DONNELSVILLE
CLARK COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Donnelsville
Clark County
15 South Hampton Street
PO Box 15
Donnelsville, Ohio 45319

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Donnelsville, Clark 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 fairly 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 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 cash balances of the Village of Donnelsville, Clark 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 1 to the financial statements, during 2011 the Village of Donnelsville, Clark 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 September 16, 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.



Dave Yost
Auditor of State

Columbus, Ohio

September 16, 2013

**VILLAGE OF DONNELSVILLE
CLARK COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$30,537		\$30,537
Intergovernmental	8,950	\$17,265	26,215
Charges for Services	3,168		3,168
Fines, Licenses and Permits	7,171		7,171
Earnings on Investments	568		568
Miscellaneous	10,038		10,038
Total Cash Receipts	<u>60,432</u>	<u>17,265</u>	<u>77,697</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	15,917		15,917
Basic Utility Services		1,800	1,800
Transportation		33,207	33,207
General Government	36,792		36,792
Total Cash Disbursements	<u>52,709</u>	<u>35,007</u>	<u>87,716</u>
Net Change in Fund Cash Balances	7,723	(17,742)	(10,019)
Fund Cash Balances, January 1	<u>136,888</u>	<u>76,060</u>	<u>212,948</u>
Fund Cash Balances, December 31:			
Restricted		58,318	58,318
Assigned	8,325		8,325
Unassigned (Deficit)	136,286		136,286
Fund Cash Balances, December 31	<u>\$144,611</u>	<u>\$58,318</u>	<u>\$202,929</u>

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

**VILLAGE OF DONNELSVILLE
CLARK COUNTY**

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$127,417		\$127,417
Fines, Licenses and Permits		\$8,907	8,907
Total Operating Cash Receipts	<u>127,417</u>	<u>8,907</u>	<u>136,324</u>
Operating Cash Disbursements:			
Personal Services	3,538		3,538
Employee Fringe Benefits	741		741
Contractual Services	62,792		62,792
Supplies and Materials	656		656
Remittance to State		2,230	2,230
Remittance to Village		6,677	6,677
Other	57		57
Total Operating Cash Disbursements	<u>67,784</u>	<u>8,907</u>	<u>76,691</u>
Operating Income	<u>59,633</u>		<u>59,633</u>
Non-Operating Receipts (Disbursements):			
Special Assessments	6,824		6,824
Capital Outlay	(1,000)		(1,000)
Principal Retirement	(82,537)		(82,537)
Interest and Other Fiscal Charges	(24,171)		(24,171)
Total Non-Operating Receipts (Disbursements)	<u>(100,884)</u>		<u>(100,884)</u>
Net Change in Fund Cash Balances	(41,251)		(41,251)
Fund Cash Balances, January 1	<u>324,658</u>		<u>324,658</u>
Fund Cash Balances, December 31	<u>\$283,407</u>	<u>\$0</u>	<u>\$283,407</u>

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

**VILLAGE OF DONNELSVILLE
CLARK COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$30,805		\$30,805
Intergovernmental	11,095	\$17,187	28,282
Charges for Services	3,168		3,168
Fines, Licenses and Permits	9,740		9,740
Earnings on Investments	529		529
Miscellaneous	1,322		1,322
Total Cash Receipts	<u>56,659</u>	<u>17,187</u>	<u>73,846</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	19,064		19,064
Transportation		13,726	13,726
General Government	27,972		27,972
Total Cash Disbursements	<u>47,036</u>	<u>13,726</u>	<u>60,762</u>
Net Change in Fund Cash Balances	9,623	3,461	13,084
Fund Cash Balances, January 1	<u>127,265</u>	<u>72,599</u>	<u>199,864</u>
Fund Cash Balances, December 31:			
Restricted		76,060	76,060
Assigned	3,514		3,514
Unassigned (Deficit)	133,374		133,374
<i>Fund Cash Balances, December 31</i>	<u>\$136,888</u>	<u>\$76,060</u>	<u>\$212,948</u>

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

**VILLAGE OF DONNELSVILLE
CLARK COUNTY**

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$126,220		\$126,220
Fines, Licenses and Permits		\$6,359	6,359
Total Operating Cash Receipts	<u>126,220</u>	<u>6,359</u>	<u>132,579</u>
Operating Cash Disbursements:			
Personal Services	3,618		3,618
Employee Fringe Benefits	1,206		1,206
Contractual Services	65,691		65,691
Supplies and Materials	940	15	955
Remittance to State		1,443	1,443
Remittance to Village		4,901	4,901
Total Operating Cash Disbursements	<u>71,455</u>	<u>6,359</u>	<u>77,814</u>
Operating Income	<u>54,765</u>		<u>54,765</u>
Non-Operating Receipts (Disbursements):			
Special Assessments	14,486		14,486
Capital Outlay	(424)		(424)
Principal Retirement	(81,718)		(81,718)
Interest and Other Fiscal Charges	(24,991)		(24,991)
Total Non-Operating Receipts (Disbursements)	<u>(92,647)</u>		<u>(92,647)</u>
Net Change in Fund Cash Balances	(37,882)		(37,882)
Fund Cash Balances, January 1	<u>362,540</u>		<u>362,540</u>
Fund Cash Balances, December 31	<u>\$324,658</u>	<u>\$0</u>	<u>\$324,658</u>

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

**VILLAGE OF DONNELSVILLE
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
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 Donnelsville, Clark County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides sewer utility and police services. The Village contracts with Bethel Township to receive fire protection services.

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

During the period, the Village maintained a general checking account, savings account, Mayor's Court account, and utilities account which were valued at cost.

The Village has no investments.

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:

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 Special Revenue Funds:

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

7.5% Highway Fund - This fund receives gasoline tax and motor vehicle tax money for constructing and repairing state highways within the Village.

**VILLAGE OF DONNELSVILLE
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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 Fund:

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

4. 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. 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 fund accounts for court fines and distribution of court fines to appropriate jurisdictions.

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. 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 carried over, and need not be re-appropriated. The Village did not encumber all commitments required by Ohio Law.

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:

**VILLAGE OF DONNELSVILLE
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Non-spendable

The Village classifies assets as *non-spendable* 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.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the 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.

**VILLAGE OF DONNELSVILLE
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. EQUITY IN POOLED DEPOSITS

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

	2012	2011
Demand deposits	\$486,336	\$537,606
Total Demand Deposits	\$486,336	\$537,606

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

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	\$ 43,183	\$ 60,432	\$17,249
Special Revenue	18,500	17,265	(1,235)
Enterprise	125,000	134,241	9,241
Total	\$186,683	\$211,938	\$25,255

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 53,464	\$ 52,709	\$ 755
Special Revenue	32,500	35,007	(2,507)
Enterprise	182,626	175,492	7,134
Total	\$268,590	\$263,208	\$5,382

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 38,303	\$ 56,659	\$18,356
Special Revenue	18,500	17,187	(1,313)
Enterprise	122,426	140,706	18,280
Total	\$179,229	\$214,552	\$35,323

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 57,568	\$ 47,036	\$10,532
Special Revenue	32,500	13,726	18,774
Enterprise	186,026	178,588	7,438
Total	\$276,094	\$239,350	\$36,744

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street Construction, Maintenance and Repair fund by \$11,107 for the year ended December 31, 2012.

**VILLAGE OF DONNELSVILLE
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

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.

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, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$2,355,210	1%

The Ohio Water Development Authority (OWDA) loan relates to the Ohio Environmental Protection Agency mandated sewer project that was completed during 2006. The loan amount for the project is \$2,759,784. The Village will repay the loans in semiannual installments of \$53,354, including interest, over 30 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

<u>Year ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Amount</u>
2013	\$ 83,365	\$ 23,344	\$ 106,709
2014	84,200	22,509	106,709
2015	85,044	21,665	106,709
2016	85,897	20,812	106,709
2017	86,758	19,951	106,709
2018-2022	447,012	86,531	533,543
2023-2027	469,872	63,671	533,543
2028-2032	493,902	39,642	533,544
2033-2037	519,160	14,384	533,544
Total	\$2,355,210	\$312,509	\$2,667,719

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants gross salaries for 2012 and 2011, respectively. The Village has paid all contributions required through December 31, 2012.

VILLAGE OF DONNELSVILLE
CLARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(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.



Dave Yost • Auditor of State

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

Village of Donnelsville
Clark County
15 South Hampton Street
PO Box 15
Donnelsville, Ohio 45319

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 Donnelsville, Clark 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 September 16, 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 adopted the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance 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 opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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* 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 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. We consider findings 2012-003 and 2012-004 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, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-001 through 2012-004.

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.



Dave Yost
Auditor of State

Columbus, Ohio

September 16, 2013

VILLAGE OF DONNELSVILLE
CLARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-001

Noncompliance

Ohio Revised Code Section 5705.41(B) states, in part, that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. In addition, **Ohio Rev. Code Section 5705.40** states, in part, that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all un-liquidated and outstanding contracts or obligations against them.

At December 31, 2012, the Village's 2012 Street Construction, Maintenance, and Repair Fund had \$33,607 in expenditures with \$22,500 in appropriations. As a result, expenditures exceeded appropriations by \$11,107. The Village should monitor its expenditures and amend its appropriations for any fund in which expenditures are expected to exceed current appropriations.

Officials' Response

The Officials did not respond to the above finding.

FINDING NUMBER 2012-002

Noncompliance

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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 the sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- A. "Then and Now" Certificate** - If the fiscal officer can certify that both at the time 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 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 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 of expenditures by the Village.

**FINDING NUMBER 2012-002
(Continued)**

- B. Blanket Certificate** - Fiscal officers may prepare "blanket" certificates for a certain sum of money not to exceed 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. 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.
- C. Super Blanket Certificate** - The Village may also make expenditures and contract 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. The certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 16.2% of expenditures examined.

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.

Officials' Response

The Officials did not respond to the above finding.

FINDING NUMBER 2012-003

Noncompliance and Material Weakness

Ohio Rev. Code Section 5705.10(D), states, in part, that all revenue derived from a source other than the general property tax, and which the law prescribes shall be used for a particular purpose, is to be paid into a special fund for such purpose. June 2011 monthly sewer charges for services revenue was erroneously recorded in the General Fund.

Additionally, **Ohio Rev. Code Section 5735.28** states that wherever a municipal corporation is on the line of the state highway system as designated by the director of transportation as an extension or continuance of the state highway system, seven and one-half per cent of the amount paid to any municipal corporation pursuant to sections 4501.04, 5735.23, and 5735.27 of the Revised Code shall be used by it only to construct, reconstruct, repave, widen, maintain, and repair such highways, to purchase, erect, and maintain traffic lights and signals, and to erect and maintain street and traffic signs and markers on such highways, or to pay principal, interest, and charges on bonds and other obligations issued pursuant to Chapter 133 of the Revised Code or incurred pursuant to section 5531.09 of the Revised Code for such purposes.

The Village did not properly allocate all of the gas and motor vehicle tax receipts between the Highway fund and the Street Construction, Maintenance and Repair (SCM&R) Fund during 2012 or 2011. The Highway fund is to receive seven and one-half percent and the remaining amount of ninety-two and one-half percent is to be received by the SCM&R fund.

**FINDING NUMBER 2012-003
 (Continued)**

During the audit period, the Village failed to properly record the receipt of these revenues by the following amounts:

	Amount Improperly Posted to General Fund	92.5% to Properly Post to SCM&R Fund	7.5% to Properly Post to State Highway Fund	Amount to Post to Sewer Fund
2012	\$ 4,779	\$4,386	\$413	\$ 0
2011	\$10,277	\$3,762	\$305	\$6,210

Adjustments to correct the errors above are reflected in the financial statements and notes. The adjustments have been posted to the Village's accounting system.

Due care should be used when posting revenues to the financial statements. Failure to post revenues to the correct funds could result in incorrect fund balances being maintained and expenditures being paid for with money that does not really exist in a fund and are not allowable in the other fund.

Officials' Response

The Officials did not respond to the above finding.

FINDING NUMBER 2012-004

Noncompliance and Material Weakness

Ohio Rev. Code Section 733.28 requires that the Village Clerk shall keep the books of the Village, exhibit accurate statements of all moneys received and expended, of all the property owned by the Village and the income derived there from, and of all taxes and assessments. Additionally, **Ohio Admin. Code Section 117-2-02(A)**, states, in part, that all public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, and report the transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village's financial reports for 2012 and 2011 contained errors which resulted in reclassifications and adjustments to correctly report the financial activity during the period as follows:

2012 General Fund

- Property and Other Local Taxes receipts were overstated by \$10,428
- Intergovernmental receipts were understated by \$3,353
- Fines, Licenses, and Permits receipts were overstated by \$1,034
- Miscellaneous receipts were understated by \$4,939
- General Government disbursements were understated by \$1,629
- Ending Assigned Fund Cash Balance was understated by \$8,235
- Ending Unassigned Fund Cash Balance was overstated by \$15,076

2012 Special Revenue Funds

- Property and Other Local Taxes receipts were overstated by \$4,054
- Intergovernmental receipts were understated by \$8,853
- Ending Restricted Fund Cash Balance was understated by \$8,867

**FINDING NUMBER 2012-004
(Continued)**

2012 Enterprise Fund

- Charges for Services receipts were overstated by \$3,249
- Contractual Services disbursements were understated by \$287
- Special Assessments receipts were understated by \$3,535
- Principal Retirement disbursements were understated by \$82,537
- Interest and Other Fiscal Charges disbursements were overstated by \$82,537
- Ending Fund Cash Balance was understated by \$6,210

2012 Agency Fund

- Fines and Costs receipts were understated by \$8,907
- Remittance to State disbursements were understated by \$2,230
- Remittance to Village disbursements were understated by \$6,677

2011 General Fund

- Property and Other Local Taxes receipts were overstated by \$7,492
- Intergovernmental receipts were overstated by \$1,865
- Fines, Licenses, and Permits receipts were overstated by \$360
- General Government disbursements were understated by \$561
- Ending Assigned Fund Cash Balance was understated by \$3,514
- Ending Unassigned Fund Cash Balance was overstated by \$10,278

2011 Special Revenue Funds

- Property and Other Local Taxes receipts were overstated by \$4,645
- Intergovernmental receipts were understated by \$8,713
- Ending Restricted Fund Cash Balance was understated by \$4,067

2011 Enterprise Fund

- Charges for Services receipts were understated by \$6,210
- Contractual Services disbursements were understated by \$557
- Special Assessments receipts were understated by \$557
- Principal Retirement disbursements were understated by \$81,718
- Interest and Other Fiscal Charges disbursements were overstated by \$81,718
- Ending Fund Cash Balance was understated by \$6,210

2011 Agency Fund

- Fines and Costs receipts were understated by \$6,359
- Supplies and Materials disbursements were understated by \$15
- Remittance to State disbursements were understated by \$1,443
- Remittance to Village disbursements were understated by \$4,901

Adjustments to correct the errors above are reflected in the financial statements and notes. The adjustments affecting fund balance have been posted to the Village's accounting system.

**FINDING NUMBER 2012-004
(Continued)**

Additionally, General Fund Assigned Fund Balance was understated in 2011 in the amount of \$607 in the General Fund due to unrecorded encumbrances. These errors were not adjusted on the financial statements.

The Village should develop and implemented procedures to verify accurate recordkeeping of all its activities. Failure to maintain complete accountability of public monies could increase the possibility of funds being altered, impaired, lost, or stolen. Additionally, independent detailed reviews should be performed over the Village's accounting records as a means of providing for their accuracy.

Officials' Response

The Officials did not respond to the above finding.

**VILLAGE OF DONNELSVILLE
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Rev. Code Sections 5705.10(D) and 5735.28 – Failure to properly post gas and motor vehicle tax receipts.	No	Repeated as Finding 2012-003
2010-002	Ohio Rev. Code Section 733.28 – Financial Statement adjustments and reclassifications	No	Repeated as Finding 2012-004
2010-003	26 USC 3102(a) –Failure to remit Medicare withholdings to the IRS.	Yes	
2010-004	26 USC 3402(a)(1) and Ohio Rev. Code Section 5747.06(A) – Failure to withhold federal and state taxes from salaries.	Yes	
2010-005	Ohio Rev. Code Sections 145.03(A) and 145.20 – The Council and Mayor did not contribute to OPERS or Social Security.	Yes	
2010-006	Ohio Rev. Code Section 5705.41(D) – Prior Certification	No	Repeated as Finding 2012-002
2010-007	Ohio Rev. Code Section 5705.41(B) – Expenditures in excess of appropriations.	No	Repeated as Finding 2012-001
2010-008	26 CFR 1.6041.1; 26 CFR 1.6041.2 – Failure to issue 1099s.	Yes	
2010-009	Ohio Rev. Code Sections 5705.39 and 5705.40 – The Village did not properly approve or file appropriations.	Yes	



Dave Yost • Auditor of State

VILLAGE OF DONNELSVILLE

CLARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 7, 2013