

***VILLAGE OF DONNELSVILLE
CLARK COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2003 & 2002

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



**Auditor of State
Betty Montgomery**

Honorable Mayor and
Members of Village Council
Village of Donnelsville
15 South Hampton Road, Box 36
Donnelsville, Ohio 45319

We have reviewed the *Report of Independent Accountants* of the Village of Donnelsville, Clark County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

October 24, 2005

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VILLAGE OF DONNELSVILLE
CLARK COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2003 & 2002

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

REPORT OF INDEPENDENT ACCOUNTANTS

The Honorable Mayor and Members
of Village Council
Village of Donnelsville
Donnelsville, Ohio

We have audited the accompanying financial statements of the Village of Donnelsville (the Village), as of and for the years ended December 31, 2003 and 2002, as listed in the table of contents. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 discussed in Note 1, the Village prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments and fund cash balances of the Village, as of December 31, 2003 and 2002, and the combined receipts, disbursements, and changes in fund cash balances, its combined statement of receipts-budget and actual and combined statement of disbursements and encumbrances compared with expenditure authority for the years then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2005 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of management and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
March 23, 2005

VILLAGE OF DONNELSVILLE
CLARK COUNTY, OHIO
COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND CASH
BALANCES - ALL FUND TYPES
As of December 31, 2003 and 2002

| | <u>2003</u> <u>Balances</u> | <u>2002</u> <u>Balances</u> |
|---------------------------|---------------------------------|---------------------------------|
| Cash and Cash Equivalents | \$ 182,645 | \$ 162,899 |
| Investments | <u>40,451</u> | <u>38,453</u> |
| Total | \$ <u><u>223,096</u></u> | \$ <u><u>201,352</u></u> |

Cash Balances By Fund Class

Governmental Fund Types:

| | | |
|------------------------------|---------------------------------|---------------------------------|
| General Fund | \$ 80,348 | \$ 62,866 |
| Special Revenue Funds | 57,145 | 45,241 |
| Capital Projects Funds | <u>85,483</u> | <u>93,245</u> |
| | 222,976 | 201,352 |
| <u>Fiduciary Fund Types:</u> | | |
| Agency Funds | <u>120</u> | <u>-</u> |
| Total | \$ <u><u>223,096</u></u> | \$ <u><u>201,352</u></u> |

See accompanying Notes to the Financial Statements.

**VILLAGE OF DONNELSVILLE
CLARK COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2003**

| | Governmental Fund Types | | | (Memorandum Only) |
|---|-------------------------|--------------------|---------------------|----------------------|
| | General | Special Revenue | Capital Projects | Total |
| Receipts: | | | | |
| Taxes | \$ 31,369 | \$ 4,734 | \$ - | \$ 36,103 |
| Intergovernmental | 4,604 | 7,930 | - | 12,534 |
| Interest Earnings | 1,998 | - | - | 1,998 |
| Fines, Licenses, and Permits | 7,159 | - | - | 7,159 |
| Miscellaneous | 2,640 | - | - | 2,640 |
| Total Receipts | 47,770 | 12,664 | - | 60,434 |
| Disbursements: | | | | |
| Security of Persons & Property | 15,067 | - | - | 15,067 |
| Basic Utility Services | 3,435 | - | - | 3,435 |
| Transportation | - | 760 | - | 760 |
| General Government | 11,786 | - | - | 11,786 |
| Capital Outlay | - | - | 15,117 | 15,117 |
| Total Disbursements | 30,288 | 760 | 15,117 | 46,165 |
| Excess of Receipts Over/(Under) Disbursements | 17,482 | 11,904 | (15,117) | 14,269 |
| Other Financing Sources/(Uses): | | | | |
| Proceeds of O.W.D.A. Loan | - | - | 7,355 | 7,355 |
| Total Other Financing Sources/(Uses) | - | - | 7,355 | 7,355 |
| Excess of Receipts & Other Financing Sources Over/(Under) Disbursements and Other Financing Uses | 17,482 | 11,904 | (7,762) | 21,624 |
| Fund Balance January 1, 2003 | 62,866 | 45,241 | 93,245 | 201,352 |
| Fund Balance December 31, 2003 | \$ 80,348 | \$ 57,145 | \$ 85,483 | \$ 222,976 |

See accompanying Notes to the Financial Statements.

**VILLAGE OF DONNELSVILLE
CLARK COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - FIDUCIARY FUND TYPE
For the Year Ended December 31, 2003**

| | <u>Agency</u> |
|--|-----------------------------|
| Receipts: | |
| Fines, Licenses, and Permits | \$ 6,725 |
| Disbursements: | |
| Village Treasurer | 5,335 |
| State of Ohio | 1,260 |
| Other | <u>10</u> |
| Total Disbursements | <u>6,605</u> |
| Excess of Receipts Over/(Under) Disbursements | 120 |
| Fund Balance January 1, 2003 | <u>-</u> |
| Fund Balance December 31, 2003 | \$ <u><u>120</u></u> |

See accompanying Notes to the Financial Statements.

**VILLAGE OF DONNELSVILLE
CLARK COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2002**

| | <u>Governmental Fund Types</u> | | | <u>(Memorandum Only)</u> |
|---|--------------------------------|----------------------------|-----------------------------|------------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Total</u> |
| Receipts: | | | | |
| Taxes | \$ 30,249 | \$ 4,649 | \$ - | \$ 34,898 |
| Intergovernmental | 3,200 | 7,034 | - | 10,234 |
| Interest Earnings | 6,799 | - | - | 6,799 |
| Fines, Licenses, and Permits | 7,820 | - | - | 7,820 |
| Miscellaneous | 2,888 | - | 92,500 | 95,388 |
| Total Receipts | 50,956 | 11,683 | 92,500 | 155,139 |
| Disbursements: | | | | |
| Security of Persons & Property | 16,437 | - | - | 16,437 |
| Basic Utility Services | 2,836 | - | - | 2,836 |
| Transportation | - | 9,255 | - | 9,255 |
| General Government | 23,207 | - | - | 23,207 |
| Capital Outlay | - | - | 29,294 | 29,294 |
| Total Disbursements | 42,480 | 9,255 | 29,294 | 81,029 |
| Excess of Receipts Over/(Under) Disbursements | 8,476 | 2,428 | 63,206 | 74,110 |
| Other Financing Sources/(Uses): | | | | |
| Proceeds of O.W.D.A. Loan | - | - | 27,794 | 27,794 |
| Total Other Financing Sources/(Uses) | - | - | 27,794 | 27,794 |
| Excess of Receipts & Other Financing Sources Over/(Under) Disbursements and Other Financing Uses | 8,476 | 2,428 | 91,000 | 101,904 |
| Fund Balance January 1, 2002 | 54,390 | 42,813 | 2,245 | 99,448 |
| Fund Balance December 31, 2002 | \$ 62,866 | \$ 45,241 | \$ 93,245 | \$ 201,352 |

See accompanying Notes to the Financial Statements.

**VILLAGE OF DONNELSVILLE
 CLARK COUNTY, OHIO
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
 CASH BALANCES - FIDUCIARY FUND TYPE
 For the Year Ended December 31, 2002**

| | <u>Agency</u> |
|--|---------------------------|
| Receipts: | |
| Fines, Licenses, and Permits | \$ 9,055 |
| Disbursements: | |
| Village Treasurer | 7,555 |
| State of Ohio | <u>1,500</u> |
| Total Disbursements | <u>9,055</u> |
| Excess of Receipts Over/(Under) Disbursements | - |
| Fund Balance January 1, 2002 | <u>-</u> |
| Fund Balance December 31, 2002 | \$ <u><u>-</u></u> |

See accompanying Notes to the Financial Statements.

VILLAGE OF DONNELSVILLE
CLARK COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
For the Year Ended December 31, 2003

| <u>Fund Types/Funds:</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable/ (Unfavorable)</u> |
|--|--------------------------|-------------------------|--|
| <u>Governmental Fund Types:</u> | | | |
| General Fund | \$ 40,366 | \$ 47,770 | \$ 7,404 |
| Special Revenue | 14,401 | 12,664 | (1,737) |
| Capital Projects | <u>159,000</u> | <u>7,355</u> | <u>(151,645)</u> |
| Total (Memorandum Only) | \$ <u>213,767</u> | \$ <u>67,789</u> | \$ <u>(145,978)</u> |

See Accompanying Notes to the Financial Statements.

VILLAGE OF DONNELSVILLE
CLARK COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
For the Year Ended December 31, 2002

| <u>Fund Types/Funds:</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable/ (Unfavorable)</u> |
|--|-----------------------|-----------------------|--|
| <u>Governmental Fund Types:</u> | | | |
| General Fund | \$ 50,197 | \$ 50,956 | \$ 759 |
| Special Revenue | 14,464 | 11,683 | (2,781) |
| Capital Projects | <u>250,000</u> | <u>120,294</u> | <u>(129,706)</u> |
| Total (Memorandum Only) | <u>\$ 314,661</u> | <u>\$ 182,933</u> | <u>\$ (131,728)</u> |

See Accompanying Notes to the Financial Statements.

**VILLAGE OF DONNELSVILLE
CLARK COUNTY, OHIO
COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
For the Year Ended December 31, 2003**

| <u>Fund Types/Funds</u> | <u>Carryover Appropriations</u> | <u>Year Ending 2003 Appropriations</u> | <u>Total</u> | <u>Actual 2003 Disbursements</u> | <u>Encumbrances as of 12/31/03</u> | <u>Total</u> | <u>Variance Favorable/ (Unfavorable)</u> |
|--------------------------------|-------------------------------------|--|-------------------|--|--|------------------|--|
| Governmental Funds: | | | | | | | |
| General Fund | \$ - | \$ 67,700 | \$ 67,700 | \$ 30,288 | \$ - | \$ 30,288 | \$ 37,412 |
| Special Revenue Funds | - | 30,000 | 30,000 | 760 | - | 760 | 29,240 |
| Capital Projects Funds | - | 250,000 | 250,000 | 15,117 | - | 15,117 | 234,883 |
| Total (Memorandum Only) | \$ - | \$ 347,700 | \$ 347,700 | \$ 46,165 | \$ - | \$ 46,165 | \$ 301,535 |

See accompanying Notes to the Financial Statements.

VILLAGE OF DONNELSVILLE
CLARK COUNTY, OHIO
COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
For the Year Ended December 31, 2002

| <u>Fund Types/Funds</u> | <u>Carryover</u> <u>Appropriations</u> | <u>Year Ending</u> <u>2002</u> <u>Appropriations</u> | <u>Total</u> | <u>Actual</u> <u>2002</u> <u>Disbursements</u> | <u>Encumbrances</u> <u>as of</u> <u>12/31/02</u> | <u>Total</u> | <u>Variance</u> <u>Favorable/</u> <u>(Unfavorable)</u> |
|--------------------------------|---|--|-------------------|--|--|------------------|--|
| Governmental Funds: | | | | | | | |
| General Fund | \$ - | \$ 60,800 | \$ 60,800 | \$ 42,480 | \$ - | 42,480 | \$ 18,320 |
| Special Revenue Funds | - | 30,500 | 30,500 | 9,255 | - | 9,255 | 21,245 |
| Capital Projects Funds | - | 250,000 | 250,000 | 29,294 | - | 29,294 | 220,706 |
| Total (Memorandum Only) | \$ - | \$ 341,300 | \$ 341,300 | \$ 81,029 | \$ - | \$ 81,029 | \$ 260,271 |

See accompanying Notes to the Financial Statements.

VILLAGE OF DONNELSVILLE
CLARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

The Village of Donnelsville (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected, six-member Council. The Village provides general governmental services, maintenance of streets, and police and fire protection services (security of persons and property) and general Village maintenance.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. **BASIS OF ACCOUNTING**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursement basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved.)

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

C. **INVESTMENTS AND INACTIVE FUNDS**

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at purchase cost. Interest earned is recognized and recorded when received. See Note 2 for further description.

D. **FUND ACCOUNTING**

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

Governmental Fund Types:

General Fund: The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: To account for the proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes. The Village had the following significant Special Revenue Fund:

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

**VILLAGE OF DONNELSVILLE
CLARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

Capital Projects Funds: This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village has the following significant capital projects fund:

Sewer Fund: This fund receives intergovernmental funding to support the waste water sewer treatment plant construction project.

Fiduciary Fund Type:

This fund is used to account for resources held by the Village in a trustee capacity or agent for individuals or private organizations. The Village has an agency fund for the Mayor's court. This fund is custodial in nature.

E. **BUDGETARY PROCESS**

1. **Budget**

A budget of estimated cash receipts and disbursements is prepared by the Clerk/Treasurer, approved by Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 15 of each year, for the period January 1 to December 31 of the following year.

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 approve estimated resources.

3. **Appropriations**

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The legal level of budgetary control is at the object level in all funds. Any budgetary modifications at this level may only be made by ordinance of the Village Council.

F. **PROPERTY, PLANT AND EQUIPMENT**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. **UNPAID VACATION AND SICK LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities on the accompanying financial statements.

**VILLAGE OF DONNELSVILLE
CLARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Village maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments.

The carrying amount of the Village's cash and investments at December 31 was as follows:

| | <u>2003</u> | <u>2002</u> |
|--------------------------------|------------------|-------------------|
| Demand Deposits | \$182,645 | \$ 162,899 |
| Certificates of Deposit | <u>40,451</u> | <u>38,453</u> |
| Total Deposits and Investments | <u>\$223,096</u> | <u>\$ 201,352</u> |

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Clerk/Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

3. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2003.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio and are reflected in the accompanying financial statements as Intergovernmental Receipts.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost.

The County Treasurer collects property tax on behalf of all taxing entities within the county. The County Auditor periodically remits to the taxing entities their portions of the taxes collected.

**VILLAGE OF DONNELSVILLE
CLARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002**

4. DEBT

Debt outstanding At December 31, 2003 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|-----------------|-------------------|----------------------|
| OWDA Loan #3171 | \$ 250,000 | 5.54% |
| OWDA Loan #3466 | 169,680 | 5.65% |
| Total | \$ 419,680 | |

The OWDA loans were for improvements to the Village's wastewater treatment plant. As of the date of this report, no amortization schedules had been prepared.

5. RISK MANAGEMENT

The Village is exposed to various risks of loss related torts, theft, destruction of assets, errors and omissions, injuries to employees and natural disasters. The Village contracted with private carriers to cover losses related to property and contents.

6. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS), a state operated, cost sharing, multiple employer public employee retirement system. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. The 2003 member contribution rates were 8.5% for members in classifications other than law enforcement and public safety. Members in the law enforcement classification, which consists of township police, contributed at a rate of 10.1%.

Contribution rates are prescribed by the Ohio Revised Code. For 2003 and 2002 members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of covered payroll. The Village paid \$1,106 and \$1,274 in contributions for 2003 and 2002, respectively, which represented 100% of the required contributions for both years.

7. CONTINGENT LIABILITIES

The Village may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Village.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Members
of Village Council
Village of Donnelsville
Donnelsville, Ohio

We have audited the financial statements of the Village of Donnelsville, Ohio as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated March 23, 2005. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and recommendations as Findings 2003-DON-01 through 2003-DON-03.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses. We also noted other matters involving the internal control over financial reporting, which we have reported to the management of the Village in a separate letter dated March 23, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as Findings 2003-DON-04 thru 2003-DON-08.

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

Charles E. Harris & Associates, Inc.
March 23, 2005

**VILLAGE OF DONNELSVILLE
CLARK COUNTY, OHIO
SCHEDULE OF FINDINGS
For The Years Ended December 31, 2003 and 2002**

Financial Reporting and Internal Control

Finding 2003-DON-01:

The Village's accounting system did not adequately assemble, analyze, classify, record and report its transactions, maintain accountability for related assets, or document compliance with finance related legal and contractual requirements as required by Ohio Administrative Code Section 117. Accordingly, the Village did not prepare or file annual financial statements for 2003 or 2002.

We recommend that the Village utilize the Auditor of State UAN System or another capable accounting application.

Finding 2003-DON-02:

The Village did not reconcile its bank accounts as required for proper internal control. Therefore, recording errors and omissions went undetected. The only financial statements prepared were monthly summaries for Council. We noted that the cash balances for these year-end reports were understated by \$13,995 for 2003 and \$11,434 for 2002. These amounts were adjusted in the financial statements.

Giving consideration to the Villages limited staff, we recommend that bank accounts be reconciled monthly to the accounting records by the Village Clerk and that this reconciliation be reviewed and approved by at least one Board member.

Finding 2003-DON-03:

The Village did not prepare receipt/pay-in orders to ensure the correct recording of receipts or deposit receipts on a timely basis as required for proper internal control. We noted that some small receipts were held three months before being deposited. This practice increases the likelihood that receipts could be lost or stolen.

We recommend that the Village prepare pay-in orders for all receipts and deposit them on a timely basis.

Compliance and Other Matters

Finding Number 2003-DON-04:

Contrary to various regulations regarding withholding of taxes from employees , including Internal Revenue Code, 26 USC and Ohio Rev Code Section 5747.06, the Village did not withhold federal or state taxes from the employees of the Village, including the elected officials. In addition, retirement contributions were not withheld from elected officials.

Finding Number 2003-DON-05:

The Village did not report compensation paid to employees in violation of 26 CFR, Section 1.6041-2 which provides that wages are to be reported on form W-2.

**VILLAGE OF DONNELSVILLE
CLARK COUNTY, OHIO
SCHEDULE OF FINDINGS
For The Years Ended December 31, 2003 and 2002**

Finding 2003-DON-06:

Ohio Revised Code Section 117.38 requires Cash-basis entities to file annual reports with the Auditor of State within 60 days of the fiscal year end and publish a notice in a local newspaper that the report is available for inspection at the office of the chief fiscal officer. The Village did not file a financial report for 2003 and the financial report that was filed for 2002 was actually the 2001 report.

Finding 2003-DON-07:

Ohio Rev. Code, Section 5705.41 (D), states that:

No subdivision or taxing unit 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 that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two “exceptions” to the above requirements:

- A. Then and Now Certificate- If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such Certificate.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Council, if such expenditure is otherwise valid.

Contrary to this requirement, the Village Clerk did not certify funds prior to payment of invoices.

Finding 2003-DON-08:

Ohio Revised Code Section 5705.39 states that the total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed the total official estimate or amended official estimate.

Ohio Revised 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 Revised Code Section 5705.36(A)(3) provides that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess resources. Ohio Revised Code Section 5705.36(A)(4) provides that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriations.

The capital projects fund had appropriations that exceeded estimated resources in 2003.

**VILLAGE OF DONNELSVILLE
CLARK COUNTY
For the Years Ended December 31, 2003 and 2002**

SCHEDULE OF PRIOR AUDIT FINDINGS

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|-----------------------|--|-------------------------|--|
| 2001-01 | ORC 5747.06 –State Taxes not withheld from employees. | Not Corrected | Repeated as Finding 2003-DON-04 |
| 2001-02 | ORC 145.034 – Elected officials not contributing to PERS | Not Corrected | Repeated as Finding 2003-DON-04 |
| 2001-03 | IRS 26 USC – Federal taxes not withheld | Not Corrected | Repeated as Finding 2003-DON-04 |
| 2001-04 | 26 CFR – W-2's not prepared/wages not reported to taxing authorities | Not Corrected | Repeated as Finding 2003-DON-05 |
| 2001-05 | OAC 117-5-09 – No cash journal | No Longer Valid | OAC section repealed |
| 2001-06 | OAC 117-5-13 – Encumbrance accounting not used | No Longer Valid | OAC section repealed |
| 2001-07 | OAC 117-5-14 – Vouchers not used | No Longer Valid | OAC section repealed |
| 2001-08 | OAC 117-2-02 – Accounting system not adequate | Not Corrected | Repeated as 2003-DON-01 |
| 2001-09 | Receipt/Pay-in Orders not prepared | Not Corrected | Repeated as 2003-DON-03 |
| 2001-10 | Bank accounts not reconciled | Not Corrected | Repeated as 2003-DON-02 |



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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 10, 2005**