

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2000 & 2001

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
Columbus, Ohio 43215

Telephone 614-466-4514
800-282-0370

Facsimile 614-728-7398
www.auditor.state.oh.us

Board of Trustees
Village of Donnelsville
15 South Hampton Rd.
Donnelsville, Ohio 45319

We have reviewed the Independent Auditor's Report of the Village of Donnelsville, Clark County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2000 to December 31, 2001. 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 black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

September 27, 2002

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VILLAGE OF DONNELSVILLE
CLARK COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2000 & 2001

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VILLAGE OF DONNELSVILLE
CLARK COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2000 & 2001

ELECTED OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>	<u>SURETY</u>	<u>SURETY PERIOD</u>
Stuart MacDonald 15 South Hampton St. P.O. Box 36 Donnelsville, Ohio 45319	Mayor	1/1/00 to 12/31/03	(A)	1/1/00 - 12/31/03
Joseph Stehle	Vice Mayor/ Council President	1/1/98 to 12/31/01		
Marie Kettlehake	Council	1/1/00 to 12/31/03		
Jacob Berner	Council	1/1/00 to 12/31/03		
Richard Bohn	Council	1/1/98 to 12/31/01		
Lannie Dale Gentry	Council	1/198 to 12/31/01		
Mike Sherrill	Council	1/1/98 to 12/31/01		
Linda Myers	Clerk/ Treasurer	4/1/00 to 3/31/04	(A)	4/1/00 - 3/31/04

Statutory Legal Council

William C. Hicks
Village Solicitor
333 North Limestone St.
Springfield, Ohio 45501

(A) Ohio Casualty Insurance

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

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

REPORT OF INDEPENDENT ACCOUNTANTS

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

We were engaged to audit the accompanying financial statements of the Village of Donnelsville (the Village), as of and for the years ended December 31, 2000 and 2001 as listed in the table of contents. These financial statements are the responsibility of the Village's management.

We were unable to obtain adequate supporting documentation regarding disbursements for the years 2000 and 2001, nor were we able to satisfy ourselves as to those financial activities by other procedures. Those financial activities are included in the governmental fund types and represent approximately 29 percent of disbursements in 2000 and 73 percent of disbursements in 2001.

Since we did not audit the financial statements of the Village referred to above, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

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 those specified parties.

Charles E. Harris & Associates, Inc.
August 16, 2002

VILLAGE OF DONNELSVILLE
CLARK COUNTY, OHIO
COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND CASH
BALANCES - ALL FUND TYPES
As of December 31, 2000 and 2001

	<u>2000</u> <u>Balances</u>	<u>2001</u> <u>Balances</u>
Cash and Cash Equivalents	\$ 43,409	\$ 67,794
Investments	<u>31,177</u>	<u>31,654</u>
	<u>\$ 74,586</u>	<u>\$ 99,448</u>

Cash Balances By Fund Class

Governmental Fund Types:

General Fund	\$ 35,934	\$ 54,390
Special Revenue Funds	36,407	42,813
Capital Projects Funds	2,245	2,245
	<u> </u>	<u> </u>
Total	<u>\$ 74,586</u>	<u>\$ 99,448</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, 2000**

	Governmental Fund Types			(Memorandum Only)
	General	Special Revenue	Capital Projects	Total
Receipts:				
Taxes	\$ 24,684	\$ 4,667	-	\$ 29,351
Intergovernmental	8,155	7,229	-	15,384
Interest Earnings	836	-	-	836
Fines, Licenses, and Permits	457	-	-	457
Miscellaneous	4,128	-	-	4,128
Total Receipts	38,260	11,896	-	50,156
Disbursements:				
Security of Persons & Property	7,929	-	-	7,929
Public Health Services	2,195	-	-	2,195
Basic Utility Services	2,267	-	-	2,267
Transportation	-	11,004	-	11,004
General Government	20,516	-	-	20,516
Capital Outlay	-	-	\$ 123,368	123,368
Total Disbursements	32,907	11,004	123,368	167,279
Excess of Receipts Over/(Under) Disbursements	5,353	892	(123,368)	(117,123)
Other Financing Sources/(Uses):				
Proceeds of O.W.D.A. Loan	-	-	123,368	123,368
Total Other Financing Sources/(Uses)	-	-	123,368	123,368
Excess of Receipts & Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	5,353	892	-	6,245
Fund Balance January 1, 2000	30,581	35,515	2,245	68,341
Fund Balance December 31, 2000	\$ 35,934	\$ 36,407	\$ 2,245	\$ 74,586

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, 2001**

	Governmental Fund Types			(Memorandum Only)
	General	Special Revenue	Capital Projects	Total
Receipts:				
Taxes	\$ 28,193	\$ 4,520	-	\$ 32,713
Intergovernmental	9,930	7,154	-	17,084
Interest Earnings	1,536	-	-	1,536
Fines, Licenses, and Permits	9,760	-	-	9,760
Miscellaneous	5,478	-	-	5,478
Total Receipts	54,897	11,674	-	66,571
Disbursements:				
Security of Persons & Property	17,054	-	-	17,054
Public Health Services	2,200	-	-	2,200
Basic Utility Services	2,735	-	-	2,735
Transportation	-	5,268	-	5,268
General Government	12,132	-	-	12,132
Capital Outlay	-	-	\$ 192,119	192,119
Total Disbursements	34,121	5,268	192,119	231,508
Excess of Receipts Over/(Under) Disbursements	20,776	6,406	(192,119)	(164,937)
Other Financing Sources/(Uses):				
Proceeds of O.W.D.A. Loan	-	-	192,119	192,119
Total Other Financing Sources/(Uses)	-	-	192,119	192,119
Excess of Receipts & Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	20,776	6,406	-	27,182
Fund Balance January 1, 2001	33,614	36,407	2,245	72,266
Fund Balance December 31, 2001	\$ 54,390	\$ 42,813	\$ 2,245	\$ 99,448

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, 2000**

	<u>Agency</u>	<u>(Memorandum Only) Total</u>
Receipts:		
Fines, Licenses and Permits	\$ <u>1,642</u>	\$ <u>1,642</u>
Total Receipts	1,642	1,642
Disbursements:		
Village Treasurer	1,342	1,342
State of Ohio	<u>300</u>	<u>300</u>
Total Disbursements	<u>1,642</u>	\$ <u>1,642</u>
Excess Receipts Over/(Under) Disbursements	-	-
 Fund Balance January 1, 2000	 <u>-</u>	 <u>-</u>
Fund Balance December 31, 2000	\$ <u><u>-</u></u>	\$ <u><u>-</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 - FIDUCIARY FUND TYPE
For the Year Ended December 31, 2001**

	<u>Agency</u>	<u>(Memorandum Only) Total</u>
Receipts:		
Fines, Licenses and Permits	\$ <u>10,950</u>	\$ <u>10,950</u>
Total Receipts	10,950	10,950
Disbursements:		
Village Treasurer	8,920	8,920
State of Ohio	<u>2,030</u>	<u>2,030</u>
Total Disbursements	<u>10,950</u>	\$ <u>10,950</u>
Excess Receipts Over/(Under) Disbursements	-	-
 Fund Balance January 1, 2001	 <u>-</u>	 <u>-</u>
Fund Balance December 31, 2001	\$ <u><u>-</u></u>	\$ <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, 2000

<u>Fund Types/Funds:</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<u>Governmental Fund Types:</u>			
General Fund	\$ 39,007	\$ 38,260	\$ (747)
Special Revenue	11,717	11,896	179
Capital Projects	250,000	123,368	(126,632)
<u>Fiduciary Fund Type:</u>			
Agency Fund	-	1,642	1,642
 Total (Memorandum Only)	 \$ <u>300,724</u>	 \$ <u>175,166</u>	 \$ <u>(125,558)</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, 2001

<u>Fund Types/Funds:</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<u>Governmental Fund Types:</u>			
General Fund	\$ 46,733	\$ 54,897	\$ 8,164
Special Revenue	11,867	11,674	(193)
Capital Projects	50,000	192,119	142,119
<u>Fiduciary Fund Type:</u>			
Agency Fund	-	10,950	10,950
Total (Memorandum Only)	\$ 108,600	\$ 269,640	\$ 161,040

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, 2000**

<u>Fund Types/Funds</u>	<u>Carryover Appropriations</u>	<u>Year Ending 2000 Appropriations</u>	<u>Total</u>	<u>Actual 2000 Disbursements</u>	<u>Encumbrances as of 12/31/00</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental Funds:							
General Fund	\$ -	\$ 48,385	\$ 48,385	\$ 32,907	\$ -	\$ 32,907	\$ 15,478
Special Revenue Funds	-	30,000	30,000	11,004	-	11,004	18,996
Capital Projects Funds	-	250,000	250,000	123,368	-	123,368	126,632
Fiduciary Fund:							
Agency Fund	-	-	-	1,642	-	1,642	(1,642)
Total (Memorandum Only)	\$ -	\$ 328,385	\$ 328,385	\$ 168,921	\$ -	\$ 168,921	\$ 159,464

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, 2001**

<u>Fund Types/Funds</u>	<u>Carryover Appropriations</u>	<u>Year Ending 2001 Appropriations</u>	<u>Total</u>	<u>Actual 2001 Disbursements</u>	<u>Encumbrances as of 12/31/01</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental Funds:							
General Fund	\$ -	\$ 61,330	\$ 61,330	\$ 34,121	\$ -	\$ 34,121	\$ 27,209
Special Revenue Funds	-	30,000	30,000	5,268	-	5,268	24,732
Capital Projects Funds	-	250,000	250,000	192,119	-	192,119	57,881
Fiduciary Fund:							
Agency Fund	-	-	-	10,950	-	10,950	(10,950)
Total (Memorandum Only)	\$ -	\$ 341,330	\$ 341,330	\$ 242,458	\$ -	\$ 242,458	\$ 98,872

See accompanying Notes to the Financial Statements.

VILLAGE OF DONNELSVILLE
CLARK COUNTY, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2000 and 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Donnelsville, Clark County, (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, including water, sewer, police, fire and ambulance services.

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. REPORTING ENTITY

In evaluating how to define the Village for financial reporting purposes, management has considered all agencies, departments and organizations making up the Village of Donnelsville (the primary government) and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." There were no significant changes in the reporting entity related to the implementation of this statement for the current audit period.

Component units are legally separate organizations for which the Village, as the primary government, is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and 1) the Village is able to significantly influence the programs or services performed or provided by the organization; or 2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations for which the Village approves the budget, the issuance of debt, or the levying of taxes.

Based on the above definitions, the Village has determined that there were no component units required to be included the financial statements.

C. 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.

VILLAGE OF DONNELSVILLE
CLARK COUNTY, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2000 and 2001

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

D. **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.

E. **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.

Capital Project Funds: This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds).

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 purely custodial in nature.

F. **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 20 of each year, for the period January 1 to December 31 of the following year.

2. **Estimated Resources**

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Treasurer by September 1.

VILLAGE OF DONNELSVILLE
CLARK COUNTY, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2000 and 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. BUDGETARY PROCESS - (continued)

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk/Treasurer sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the County Budget Commission for approval. This amended certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Clerk/Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificates issued during 2000 and 2001. The Village does not budget for the Agency Fund in the certificate of estimated resources.

Budget receipts, as shown in the accompanying financial statements, do not include the unencumbered fund balances as of January 1, 2000 and 2001. However, those fund balances are available for appropriations.

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 Village does not appropriate for the Agency Fund.

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.

4. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Village did not use the encumbrance method of accounting, as required.

G. 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.

VILLAGE OF DONNELSVILLE
CLARK COUNTY, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2000 and 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

H. 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.

I. 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 balance of this pool is displayed on the "Combined Statement of Cash, Investments, and Fund Cash Balances - All Fund Types, As of December 31, 2000 and 2001."

Legal Requirements

State statutes classify monies held by the Village into three categories.

"Active deposits" are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Village Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

"Inactive deposits" are public deposits that Council has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

"Interim deposits" are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts. Interim monies may be invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligations or security issued by the United States treasury or any other obligations guaranteed as to principal or interest by the United States;

VILLAGE OF DONNELSVILLE
CLARK COUNTY, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2000 and 2001

2. **EQUITY IN POOLED CASH AND CASH EQUIVALENTS** - (continued)

Legal Requirements - (continued)

2. Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency services shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities, subject to the repurchase agreement, must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No -load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in the is division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and be purchased within the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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.

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No.3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year end, the carrying amount of the Village's deposits were \$74,586 in 2000 and \$99,448 in 2001 and the bank balance was \$44,659 in 2000 and \$68,585 in 2001. Of the bank balance, all deposits for both years were covered by federal depository insurance.

**VILLAGE OF DONNELSVILLE
CLARK COUNTY, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2000 and 2001**

2. **EQUITY IN POOLED CASH AND CASH EQUIVALENTS** - (continued)

Legal Requirements - (continued)

Investments:

The Village's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Village. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Village's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or by its trust department but not in the Village's name. At December 31, 2000 and 2001, the Village held no investments that would be classified as investments under GASB Statement No. 3.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Cash and cash equivalents are defined to include investments with original maturities of three months or less and cash and investments of the cash management pool.

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB 3 is as follows:

<u>2000</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement 9 Certificates of Deposit over 90 days	\$ 43,409 <u>31,177</u>	\$ 31,177 <u>(31,177)</u>
GASB Statement 3	<u>\$ 74,586</u>	<u>\$ - 0 -</u>
<u>2001</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement 9 Certificates of Deposit over 90 days	\$ 67,794 <u>31,654</u>	\$ 31,654 <u>(31,654)</u>
GASB Statement 3	<u>\$ 99,448</u>	<u>\$ - 0 -</u>

VILLAGE OF DONNELSVILLE
CLARK COUNTY, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2000 and 2001

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 2000.

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.

The full tax rate applied to real property for the years ended December 31, 1999 and 2000 (received in 2000 and 2001) were \$10.30 and \$10.30, respectively, per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$9.076733 and \$8.321498, respectively, per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$10.1066965 and \$9.635186 for 1999 and 2000, respectively, per \$1,000 of assessed valuation for commercial property. 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.

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 following represents the assessed property values for the revenues received during the years 2000 and 2001:

Real Property:	<u>2000</u>	<u>2001</u>
Residential/Agricultural	\$2,563,380	\$2,914,580
Commercial/Industrial	154,000	158,440
 Tangible Personal Property:		
General	291,980	324,680
Public Utilities	<u>244,480</u>	<u>200,770</u>
 Total Valuation	 <u>\$3,253,840</u>	 <u>\$3,598,470</u>

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

VILLAGE OF DONNELSVILLE
CLARK COUNTY, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2000 and 2001

4. DEBT

Debt outstanding at December 31, 2000 was as follows:

	<u>Balance</u> <u>1/1/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/00</u>
OWDA 3171 5.54% 12/31/14 maturity	<u>\$ 69,044</u>	<u>\$ 123,368</u>	<u>-</u>	<u>\$ 192,412</u>
Total Debt	<u>\$ 69,044</u>	<u>123,368</u>	<u>-</u>	<u>\$ 192,412</u>

Debt outstanding at December 31, 2001 was as follows:

	<u>Balance</u> <u>1/1/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/01</u>
OWDA 3466 5.65% 12/31/07 maturity	\$ -	\$135,403	-	\$ 135,403
OWDA 3171 5.54% 12/31/14 maturity	<u>192,412</u>	<u>56,716</u>	<u>-</u>	<u>\$ 249,128</u>
Total Debt	<u>\$ 192,412</u>	<u>\$ 192,119</u>	<u>-</u>	<u>\$ 384,531</u>

The OWDA loans were for improvements to the Village's wastewater treatment plant. As of the date of this report, these loans had not been finalized by OWDA and no amortization schedules had been prepared. The loans will be paid with balloon payments on their maturity dates.

**VILLAGE OF DONNELSVILLE
CLARK COUNTY, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2000 and 2001**

5. RISK MANAGEMENT

The Village is exposed to various risks of loss related torts, theft of, damage to, destruction of assets, errors and omissions, injuries to employees and natural disasters. During the fiscal years 2000 and 2001, the Village contracted with one insurance company for coverage of buildings and contents.

The following is a list of insurance coverage of the Village and the deductibles associated with each:

<u>Type of Coverage</u>	<u>Limits</u>	<u>Deductible</u>
Business Personal Property	\$ 10,000	\$ 100
Building	66,000	100
Vehicle	50,000	-

All employees of the Village are covered by a blanket bond, while certain individuals in policy-making roles are covered by separate, higher limit bond coverage.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. Also, the Village did not reduce its insurance coverages significantly during the year.

6. RETIREMENT SYSTEMS

The Public Employees Retirement System of Ohio (PERS) is a state operated, cost sharing, multiple employer public employee retirement system. PERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. PERS also provides survivor and disability benefits to vested employees.

Contributions rates are prescribed by the Ohio Revised Code. The Village's PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 10.84% for 2000 and 13.55% for 2001 of participant's gross salaries. The Village has paid all contributions required through December 31, 2001.

VILLAGE OF DONNELSVILLE
CLARK COUNTY, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2000 and 2001

7. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The Village is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Village Solicitor, the resolution of this matter will not have a material adverse effect on the financial condition of the government.

8. ADJUSTMENTS REQUIRED

The Village's depository balances were not in balance with its fund balances at December 31, 2000 and December 31, 2001 respectively. The differences were due to the Village not posting revenues such as interest income or reconciling its bank account in a proper and timely manner. As a result, the Village made an adjustment of \$2,320 in 2000 and \$6,401 in 2001 to its General Fund in order to bring the its fund balances in line with its bank balances.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING 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 were engaged to audit the financial statements of the Village of Donnelsville (the Village), as of and for the years ended December 31, 2000 and 2001, and have issued our report thereon dated August 16, 2002. We did not express an opinion on the financial statement because we were unable to obtain adequate supporting documentation regarding disbursements for the years 2000 and 2001.

Compliance

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 grants, 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 several instances of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-001 to 2001-08. We also noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated August 8, 2002.

Internal Control 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 assurance 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 the 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 as items 2001-09 and 2001-10. A material weakness is a conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements 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 over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2001-09 and 2001-10 to be material weaknesses.

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

Charles E. Harris & Associates, Inc.
August 16, 2002

**VILLAGE OF DONNELSVILLE
CLARK COUNTY, OHIO**

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

FINDING NUMBER 2001 – 01

Ohio Rev. Code Section 5747.06, requires that every employer, including the state and its political subdivisions who make payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period state income tax with respect to his gross income for the calendar year.

The Village did not withhold state income tax from the compensation paid to its police department personnel.

FINDING NUMBER 2001 – 02

Ohio Rev. Code Section 145.034, states that a public employee as defined in Ohio Rev. Code Section 145.01 Division (A) (2) and whose earnings from employment are or become subject to the tax on wages imposed by the “Federal Insurance Contributions Act,” 68A State. 415 (1954). 26 U.S.C. A 3101, as amended, may elect to have such earnings exempted from contributions to the Public Employees Retirement System by filing with the Public Employees Retirement Board a written request. The request is to be filed no later than ninety days after the date the member becomes subject to such tax on wages. On receipt of the request, the Board shall notify the member’s employer that the request has been made.

The Village’s elected officials were not contributing to the Public Employees Retirement System (PERS) and exemption forms could not be located for these officials. These officials should obtain the proper exemption forms or become participating members of PERS.

FINDING NUMBER 2001 – 03

Internal Revenue Code, 26 USC, Section 3402, states “...every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables of computational procedures prescribed by the Secretary (of the Treasury).”

The Village did not withhold federal income taxes from the compensation paid to its police personnel.

FINDING NUMBER 2001 - 04

26 CFR, Section 1.6041-2, provides that wages are to be reported on the forms W-2. This section also provides that all other payments of compensation, including fringe benefits, are to be reported on Form W-2, if the aggregate compensation, that is, wages and other compensation, exceed \$600.

The Village did not report gross income and other pertinent data of its employees of the police department.

**VILLAGE OF DONNELSVILLE
CLARK COUNTY, OHIO**

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

(continued)

FINDING NUMBER 2001 - 05

Ohio Admin. Code Section 117-5-09 requires that each village record each expenditure of Village money and each receipt of Village money in a cash journal.

The Village did not maintain a cash journal for 2000.

This section was repealed for 2001.

FINDING NUMBER 2001 - 06

Ohio Admin. Code Section 117-5-13 requires the Village to use the encumbrance method of accounting. All purchase orders shall be numbered consecutively and certified by the Village Clerk that funds are available or in the process of collection free from a previous encumbrance. Each encumbrance charged against an appropriation shall be posted and subtracted from the appropriated balance producing a declining unencumbered balance.

The Village did not use the encumbrance method of accounting for 2000.

This section was repealed for 2001.

FINDING NUMBER 2001 - 07

Ohio Admin. Code Section 117-5-14, requires the Village to complete a voucher which is a written order authorizing the drawing of a warrant in payment of a lawful obligation of the Village.

A completed voucher should include the date, purchase order number, amount and other relevant information determined by the Council. Approval by each council member should be indicated by his/her signature.

The Village did not complete vouchers during the fiscal year 2000.

This section was repealed for 2001.

FINDING NUMBER 2001 - 08

For fiscal year 2001, Ohio Administrative Code Section 117-2-02(A)* requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Per Ohio Administrative Code Section 117-2-02 (D), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.

**VILLAGE OF DONNELSVILLE
CLARK COUNTY, OHIO**

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

(continued)

FINDING NUMBER 2001-08 (continued)

2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at minimum, each account listed in the appropriation resolution.

Ohio Administrative Code Section 117-9-01* provides suggested account classifications. These accounts classify receipts by sources (taxes or charges for services, for example) and classify disbursements by program (security of persons and property, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

* Prior to July 1, 2000, these requirements were included in Ohio Administrative Code Section 117-3.

FINDING NUMBER 2001 - 09

The Village did not complete receipts/pay-in orders during the fiscal years 2000 and 2001. The Village should prepare cash receipts/pay-in orders for all funds received. The receipt/pay-in order should show account distribution for posting to the cash receipts journal and receipts ledger. In addition, remittance advices and other supporting documentation should be attached as well.

FINDING NUMBER 2001-10

The Village was not reconciling its bank accounts on a monthly basis nor was it reconciling its bank balances to its carrying balances. The lack of reconciliations led to the Village's balances not equaling its fund balances and an audit adjustment being made. Monthly reconciliations should be performed as of the date of the bank statement and any errors or irregularities should be investigated and corrected. In addition, a cash reconciliation that reconciles bank balances to the carrying balances will enable the Village to determine that all cash transactions have been properly recorded. The reconciliation should be prepared by a person independent of the cash receipting and disbursement process. This will reduce the risk that misappropriation of cash assets could be concealed.

In addition, the Village was not booking the interest earned on its investments. This led to the Village's revenue being understated on its financial statements.

We recommend that the Village book its interest earnings when the investment matures. We also recommend that the Village prepare a cash reconciliation that reconciles bank balances to the carrying balances each month.

STATUS OF PRIOR YEAR'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the years ended December 31, 1998 and 1999 included material citations and recommendations. These issues were either corrected or are repeated in the current report.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
OCTOBER 10, 2002**