



Dave Yost • Auditor of State



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of the Village of Donnelsville (the Village) have agreed, solely to assist the Council and Mayor in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2014 and 2013, including mayor's court receipts, disbursements and balances, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management, the Mayor, and / or the Council are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Cash

1. We tested the mathematical accuracy of the December 31, 2014 and December 31, 2013 bank reconciliations. The Village prepared monthly bank reconciliation during the audit period in which the UAN fund cash balances were reconciled to the bank balances. On the December 31, 2014 and 2013 bank reconciliations, the Village had items labeled as "plug and unsure" in the amounts of \$35 and \$47, respectively. The Village did not have documentation to support these items. As a result, the book balances were understated by these amounts. The Village should implement procedures to have individuals other than the Village Fiscal Officer review and approve monthly bank to book reconciliations to verify that accurate and complete bank reconciliations are performed and reconcile to the underlying accounting ledgers.
2. We agreed the January 1, 2013 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2012 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2014 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2013 balances in the Fund Ledger Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2014 and 2013 fund cash balances reported in the Fund Status Reports. The amounts agreed. However, the Village did not include its utility account in its general bank reconciliation, and at December 31, 2014 and 2013, there were balances in the utility account in the amounts of \$19,244 and \$8,138, respectively. These amounts represented unrecorded sewer charges for services receipts that were not transferred to the general account or recorded to the accounting system, and the Sewer Fund cash balances reported for each fiscal year-end were understated by those amounts. The December 31, 2013 unrecorded sewer charges for services receipts were recorded to the

accounting system in March 2014, but the December 31, 2014 unrecorded sewer charges for services receipts were never recorded to the accounting system. After bringing this matter to the Village's attention, the December 31, 2014 unrecorded sewer charges for services receipts were transferred from the utility account to the general account and recorded to the Village's accounting system on October 30, 2015.

4. We confirmed the December 31, 2014 bank account balances with the Village's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2014 bank reconciliation with exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2014 bank reconciliation:
 - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
 - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. We noted no exceptions.
6. We inspected the Fund Ledger Report to determine whether the Findings For Adjustment identified in the prior audit report, due from the General fund, payable to the SCM&R, State Highway, and Sewer funds, were properly posted to the report. We found no exceptions.
7. We tested interbank account transfers occurring in December of 2014 to determine if they were properly recorded in the accounting records and on each bank statement. We found no exceptions. No such transfers occurred in December of 2013.

Property Taxes, Intergovernmental and Other Confirmable Cash Receipts

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2014 and one from 2013:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Revenue Receipt Register Report. It was noted that property taxes were recorded at net of all fees for both years and resulted in property tax receipts and general government disbursements to be understated by \$676 and \$457 for 2014 and 2013, respectively. The Village should record property taxes at gross and then expense the fees to assure that the financial statements are properly stated. Failure to do so could result in adjustments to the financial statements.
 - b. We determined whether the receipt was allocated to the proper fund as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
 - c. We determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Revenue Receipt Register Report to determine whether it included two real estate tax receipts for 2014 and 2013. We noted the Revenue Receipts Register Report included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2014 and five from 2013. We also selected five receipts from the Clark County Auditor's Vendor Expense Report from 2014 and five from 2013.
 - a. We compared the amount from the above reports to the amount recorded in the Revenue Receipt Register Report. The amounts agreed.

- b. We determined whether these receipts were allocated to the proper funds, with the exception of the following item:

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.

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 State & Local Government Highway Distribution receipts between the Highway fund and the Street Construction, Maintenance and Repair (SCM&R) Fund during 2014 or 2013. 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. The Village recorded all of these receipts to the General Fund.

We recalculated the fund allocations and determined that the fund balances were misstated by cumulative amounts as follows at December 31, 2014:

- General Fund was overstated by \$8,288;
- State Highway Fund was understated by \$622; and
- SCM&R Fund was understated by \$7,666

After bringing this matter to the Village's attention, the Village's accounting system was adjusted to correct these fund balance misstatements on October 30, 2015.

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 money that does not really exist in a fund and are not allowable in the other fund.

- c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Sewer Fund

1. We haphazardly selected 10 Sewer Fund collection cash receipts from the year ended December 31, 2014 and 10 Sewer Fund collection cash receipts from the year ended 2013 recorded in the Receipt Register Report and determined whether the:
 - a. Receipt amount per the Receipt Register Report agreed to the amount recorded to the credit of the customer's account in the Month to Date Receipt List Report. The amounts agreed.
 - b. Amount charged for the related billing period:

- i. Agreed with the debit to accounts receivable in the Batch Payment Report for the billing period. We found no exceptions.
- ii. Complied with rates in force during the audit period plus any applicable late penalties, plus unpaid prior billings. We found no exceptions.
- c. Receipt was posted to the proper fund, and was recorded in the year received. However, it was noted that the December 2013 sewer charges for services receipts in the amount of \$8,138 were not recorded in the accounting system until March 29, 2014. This error resulted in 2013 Sewer Fund charges for services receipts to be understated by \$8,138 and 2014 Sewer Fund charges for services receipts to be overstated by \$8,138. Since the receipt was recorded during the audit period, no adjustment will be made to the accounting system for this exception. It was also noted that during 2014, the October through December 2014 sewer charges for services receipts in the amount of \$19,244 were not recorded to the accounting system. After bringing this matter to the Village's attention, the December 31, 2014 unrecorded sewer charges for services receipts were recorded to the Village's accounting system on October 30, 2015. This error resulted in 2014 Sewer Fund charges for services receipts to be understated by \$19,244 and 2015 Sewer Fund charges for services receipts to be overstated by \$19,244. 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 cash balances being maintained.

- 2. We read the Aged Accounts Receivable Report.
 - a. We noted this report listed \$7,789 and \$8,924 of accounts receivable as of December 31, 2014 and 2013, respectively.
 - b. Of the total receivables reported in the preceding step, \$551 and \$891 were recorded as more than 90 days delinquent.

Debt

- 1. From the prior audit documentation, we noted the following loan outstanding as of December 31, 2012. These amounts agreed to the Villages January 1, 2013 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2012:
Ohio Water Development Authority Loan	\$2,355,210

- 2. We inquired of management, and scanned the Revenue Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2014 or 2013 or debt payment activity during 2014 or 2013. We noted no new debt issuances, and all debt payments noted agreed to the summary we used in step 3.
- 3. We obtained a summary of loan debt activity for 2014 and 2013 and agreed principal and interest payments from the related debt amortization schedule to Sewer Operating fund payments reported in the Payment Register Detail Report. We also compared the date the debt service payments were due to the date the Village made the payments. We found no exceptions.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2014 and one payroll check for five employees from 2013 from the Wage Detail Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Wage Detail Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
 - b. We determined whether the fund and account codes to which the check was posted were reasonable based on the employees' duties as documented in the employees' personnel files. We also determined whether the payment was posted to the proper year. We found no exceptions.

2. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2014 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period during 2014. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes, Medicare and Social Security	January 31, 2015	December 12, 2014	\$388	\$388
State income taxes	January 15, 2015	December 12, 2014	\$21	\$21
OPERS retirement	January 30, 2015	December 30, 2014	\$218	\$218

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2014 and ten from the year ended 2013 and determined whether:
 - a. The disbursements were for a proper public purpose. We found no exceptions.
 - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Payment Register Detail Report and to the names and amounts on the supporting invoices. We found no exceptions.
 - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
 - d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found twelve instances where the certification date was after the vendor invoice date, and there was also no evidence that a *Then and Now Certificate* was issued. Ohio Rev. Code Section 5705.41(D) requires certifying at the time of a commitment, which should be on or before the invoice date, unless a *Then and Now Certificate* is used. Because we did not test all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.

Mayors Court Transactions and Cash Balances

1. We tested the mathematical accuracy of the December 31, 2014 and December 31, 2013 bank reconciliations. We found no exceptions.

2. We compared the reconciled cash totals as of December 31, 2014 and December 31, 2013 to the Mayor's Court Agency Fund balance reported in the Fund Status Reports. However, it was noted that no cash receipts or disbursements were reported in the Agency Fund. The reconciled cash totals were \$0 for both years, and the fund did not appear in the Fund Status Report. It was also noted that the Combining Statements for both years showed no activity.

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. Ohio Admin. Code Section 117-2-02, 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 2014 and 2013 did not include the Mayor's Court activity for either year. As a result, the financial reports contained the following errors as follows:

2014 Agency Fund

- Fines and Costs receipts were understated by \$2,264
- Remittance to State disbursements were understated by \$450
- Remittance to Village disbursements were understated by \$1,814

2013 Agency Fund

- Fines and Costs receipts were understated by \$6,610
- Remittance to State disbursements were understated by \$1,350
- Remittance to Village disbursements were understated by \$5,260

The Village should develop and implemented procedures to verify all financial activity is reported on its annual financial statements.

3. We confirmed the December 31, 2014 bank account balance with the Mayor's Court financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2014 bank reconciliation without exception.
4. We haphazardly selected five cases from the court cash book and agreed the payee and amount posted to the:
 - a. System Generated Mayor's Court Software Receipt.
 - b. Docket, including comparing the total fine paid to the judgment issued by the judge (i.e. mayor)
 - c. Case file.

The amounts recorded in the cash book, receipts book, docket and case file agreed.

5. From the cash book, we haphazardly selected one month from the year ended December 31, 2014 and one month from the year ended 2013 and determined whether:
 - a. The monthly sum of fines and costs collected for those months agreed to the amounts reported as remitted to the Village, State or other applicable government in the following month. We found no exceptions.

- b. The totals remitted for these two months per the cash book agreed to the returned canceled checks. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the cash book.

Compliance – Budgetary

1. We compared the total estimated receipts from the Amended Official Certificate of Estimated Resources, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, State Highway, and Sewer funds for the years ended December 31, 2014 and 2013. The Revenue Status Report recorded budgeted receipts for the General fund of \$47,030, the State Highway Fund of \$2,010, and the Sewer Fund of \$122,500 for 2014, the General fund of \$0, the State Highway Fund of \$0, and the Sewer Fund of \$0 for 2013. However, the final *Amended Official Certificate of Estimated Resources* reflected budgeted receipts of \$64,000 for the General Fund, \$900 for the State Highway Fund, and \$242,000 for the Sewer Fund during 2014, and \$45,840 for the General Fund, \$908 for the State Highway Fund, and \$120,000 for the Sewer Fund during 2013. The Fiscal Officer should periodically compare amounts recorded in the Revenue Status Report to amounts recorded on the *Amended Official Certificate of Estimated Resources* to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and to monitor spending.
2. We scanned the appropriation measures adopted for 2014 and 2013 to determine whether, for the General, SCM&R, State Highway, and Sewer funds, the Council appropriated separately for “each office, department, and division, and within each, the amount appropriated for personal services,” as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2014 and 2013 for the following funds: General, SCM&R, and Sewer Funds. The amounts on the appropriations resolutions agreed to the amounts recorded in the Appropriation Status Report, except for the SCM&R Fund for 2013. The Appropriation Status Report shows total appropriations of \$10,500. However, the Council-approved appropriations were \$14,300. The Fiscal Officer should periodically compare amounts recorded in the Appropriation Status Report to amounts recorded on the Council-Approved Appropriations to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and to monitor spending.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibit appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, SCM&R, and State Highway funds for the years ended December 31, 2014 and 2013. We noted that State Highway Fund appropriations for 2013 exceeded certified resources by \$2,585, which is contrary to Ohio Rev. Code Section 5705.39. The Council should not pass appropriations exceeding certified resources. Allowing this to occur could cause the Village to incur fund balance deficits.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2014 and 2013 for the General, SCM&R, and Sewer fund, as recorded in the Appropriation Status Report. We noted no funds for which expenditures exceeded appropriations.

6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Receipt Register Report for evidence of new restricted receipts requiring a new fund during December 31, 2014 and 2013. We also inquired of management regarding whether the Village received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Village to establish a new fund.
7. We scanned the 2014 and 2013 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers exceeding \$1,000 which Ohio Rev. Code Sections 5705.14 - .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas.
8. We inquired of management and scanned the Appropriation Status Reports to determine whether the Village elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. We noted the Village did not establish these reserves.
9. We scanned the Cash Summary by Fund Report for the years ended December 31, 2014 and 2013 for negative cash fund balance. Ohio Rev. Code Section 5705.10 (I) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. We noted no funds having a negative cash fund balance.

Compliance – Contracts & Expenditures

We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2014 and 2013 to determine if the Village proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project exceeding \$30,000) or to construct or reconstruct Village roads (cost of project \$30,000/per mile) for which Ohio Rev. Code Sections 117.16(A) and 723.52 requires the Village engineer, or officer having a different title but the duties and functions of an engineer, to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the completion of the force account assessment form.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Village's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance and others within the Village, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

November 2, 2015



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 24, 2015**