



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

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VILLAGE OF DONNELSVILLE  
CLARK COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2018 and 2017  
Fiscal Years Audited Under GAGAS: 2018 and 2017



OHIO AUDITOR OF STATE  
KEITH FABER



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Village Council  
Village of Donnelsville  
PO Box 36  
Donnelsville, Ohio 45619

We have reviewed the *Independent Auditor's Report* of the Village of Donnelsville, Clark County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2017 through December 31, 2018. 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 that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

October 15, 2019

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**Village of Donnelsville**  
**Clark County, Ohio**  
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*For the Fiscal Years Ended December 31, 2018 and 2017*

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**Independent Auditor's Report**

Village of Donnelsville  
Clark County  
P.O. Box 36  
Donnelsville, Ohio 45619

To the Village Council:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by fund type and related notes of the Village of Donnelsville, Clark County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Donnelsville, Clark County, Ohio, as of December 31, 2018 and 2017, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2019, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard* in considering the Village's internal control over financial reporting and compliance.



BHM CPA Group, Inc.  
Piketon, Ohio  
August 19, 2019



**VILLAGE OF DONNELSVILLE  
CLARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 31,395	\$ -	\$ 31,395
Intergovernmental	10,937	15,078	26,015
Charges for Services	3,700	-	3,700
Fines, Licenses, and Permits	2,006	-	2,006
Earnings on Investments	375	-	375
Miscellaneous	255	-	255
	<u>48,668</u>	<u>15,078</u>	<u>63,746</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons & Property	14,771	-	14,771
Transportation	-	10,368	10,368
General Government	23,632	-	23,632
	<u>38,403</u>	<u>10,368</u>	<u>48,771</u>
<b>Total Cash Disbursements</b>			
<i>Net Change in Fund Cash Balances</i>	10,265	4,710	14,975
Fund Cash Balances, January 1	<u>201,639</u>	<u>50,122</u>	<u>251,761</u>
Restricted	-	54,832	54,832
Assigned	19,905	-	19,905
Unassigned	191,999	-	191,999
	<u>191,999</u>	<u>-</u>	<u>191,999</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 211,904</u>	<u>\$ 54,832</u>	<u>\$ 266,736</u>

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

**VILLAGE OF DONNELSVILLE  
CLARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 164,990
Total Operating Cash Receipts	164,990
<b>Operating Cash Disbursements</b>	
Personal services	3,527
Fringe benefits	804
Contractual services	68,437
Supplies and Materials	618
Other	1,718
	<u>75,104</u>
Total Operating Cash Disbursements	75,104
<i>Operating Income (Loss)</i>	89,886
<b>Non-Operating Receipts (Disbursements)</b>	
Special Assessments	9,025
Debt Service:	
Principal	(87,628)
Interest	(19,081)
	<u>(97,684)</u>
Total Non-Operating Receipts (Disbursements)	(97,684)
<i>Net Change in Fund Cash Balances</i>	(7,798)
Fund Cash Balances, January 1	<u>148,469</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 140,671</u>

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

**VILLAGE OF DONNELSVILLE  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Donnelsville, Clark County, Ohio, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides sewer utility and policy services. The Village contracts with Bethel Township to receive fire protection services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits**

During the period, the Village maintained a general checking account, savings account, Mayor's court account (removed during the period), and a utilities account which were valued at cost.

The Village had no investments.

**D. Fund Accounting**

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

**1. General Fund:**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds:**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

*Street Construction, Maintenance and Repair Fund* – This fund receives gasoline tax and motor vehicle tax money to construct, maintain and repair Village streets.

**VILLAGE OF DONNELSVILLE  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Special Revenue Funds (continued):**

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

**3. Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

*Sewer Fund* – This fund receives charges for services from residents to cover the cost of providing sewer services.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object by department level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year. The village did not encumber all commitments required by Ohio law.

A summary of 2018 budgetary activity appears in Note 3.

**VILLAGE OF DONNELSVILLE  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**VILLAGE OF DONNELSVILLE  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	2018
Demand deposits	\$407,407

**Deposits:** The Village's deposits are insured by the Federal Deposit Insurance Corporation or collateralized by financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,402	\$48,668	\$9,266
Special Revenue	19,780	15,078	(4,702)
Enterprise	157,500	174,015	16,515
Total	\$216,682	\$237,761	\$21,079

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$55,214	\$49,594	\$5,620
Special Revenue	45,500	12,431	33,069
Enterprise	217,026	199,896	17,130
Total	\$317,740	\$261,921	\$55,819

**VILLAGE OF DONNELSVILLE  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**5. DEBT**

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$1,842,318	1.00%
Total	\$1,842,318	

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

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

	Year ending			Total
	December 31:	Principal	Interest	Amount
	2019	\$88,506	\$18,202	\$106,708
	2020	89,394	17,315	106,709
	2021	90,290	16,419	106,709
	2022	91,195	15,514	106,709
	2023	92,109	14,600	106,709
	2024-2028	474,583	58,961	533,544
	2029-2033	498,853	34,691	533,544
	2034-2037	417,388	9,446	426,834
	Total	\$1,842,318	\$185,148	\$2,027,466

**VILLAGE OF DONNELSVILLE  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**6. DEFINED PENSION BENEFIT PLAN**

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

The Ohio Revised Code prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries for 2018. The Village has paid all contributions required through December 31, 2018.

**7. POSTEMPLOYMENT BENEFITS**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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



**VILLAGE OF DONNELSVILLE  
CLARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 25,758	\$ -	\$ 25,758
Intergovernmental	16,253	19,512	35,765
Charges for Services	2,467	-	2,467
Fines, Licenses, and Permits	2,842	-	2,842
Earnings on Investments	274	-	274
Miscellaneous	245	-	245
	<u>47,839</u>	<u>19,512</u>	<u>67,351</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons & Property	15,329	-	15,329
Transportation	-	48,416	48,416
General Government	22,055	-	22,055
	<u>37,384</u>	<u>48,416</u>	<u>85,800</u>
<b>Total Cash Disbursements</b>			
<i>Net Change in Fund Cash Balances</i>	10,455	(28,904)	(18,449)
Fund Cash Balances, January 1 <i>(as restated per Note 9)</i>	<u>191,184</u>	<u>79,026</u>	<u>270,210</u>
Restricted	-	50,122	50,122
Assigned	23,218	-	23,218
Unassigned	178,421	-	178,421
	<u>201,639</u>	<u>50,122</u>	<u>251,761</u>
<b>Fund Cash Balances, December 31</b>			

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

**VILLAGE OF DONNELSVILLE  
CLARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 149,314
 Total Operating Cash Receipts	 149,314
<b>Operating Cash Disbursements</b>	
Personal services	3,744
Fringe benefits	787
Contractual services	68,589
Supplies and Materials	650
Other	1,000
 Total Operating Cash Disbursements	 74,770
 <i>Operating Income (Loss)</i>	 74,544
<b>Non-Operating Receipts (Disbursements)</b>	
Special Assessments	6,353
Capital Outlay	(457)
Debt Service:	
Principal	(86,758)
Interest	(19,951)
 Total Non-Operating Receipts (Disbursements)	 (100,813)
 <i>Net Change in Fund Cash Balances</i>	 (26,269)
 Fund Cash Balances, January 1 ( <i>as restated per Note 9</i> )	 174,738
 <b>Fund Cash Balances, December 31</b>	 <u>\$ 148,469</u>

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

**VILLAGE OF DONNELSVILLE  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Donnelsville, Clark County, Ohio, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides sewer utility and policy services. The Village contracts with Bethel Township to receive fire protection services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits**

During the period, the Village maintained a general checking account, savings account, Mayor's court account (removed during the period), and a utilities account which were valued at cost.

The Village had no investments.

**D. Fund Accounting**

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

**1. General Fund:**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds:**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle tax money to construct, maintain and repair Village streets.

**VILLAGE OF DONNELSVILLE  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Special Revenue Funds (continued):**

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

**3. Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

*Sewer Fund* – This fund receives charges for services from residents to cover the cost of providing sewer services.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object by department level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year. The village did not encumber all commitments required by Ohio law.

A summary of 2017 budgetary activity appears in Note 3.

**VILLAGE OF DONNELSVILLE  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**VILLAGE OF DONNELSVILLE  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	2017
Demand deposits	\$400,230

**Deposits:** The Village's deposits are insured by the Federal Deposit Insurance Corporation or collateralized by financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,382	\$47,839	\$457
Special Revenue	13,850	19,512	5,662
Enterprise	288,500	155,667	(132,833)
Total	\$349,732	\$223,018	(\$126,714)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$55,214	\$44,700	\$10,514
Special Revenue	61,400	49,842	11,558
Enterprise	217,026	185,215	31,811
Total	\$333,640	\$279,757	\$53,883

**VILLAGE OF DONNELSVILLE  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**5. DEBT**

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$1,929,946	1.00%
Total	\$1,929,946	

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

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

	Year ending December 31:	Principal	Interest	Total Amount
	2018	\$87,628	\$19,081	\$106,709
	2019	88,506	18,202	106,708
	2020	89,394	17,315	106,709
	2021	90,290	16,419	106,709
	2022	91,195	15,514	106,709
	2023-2027	469,872	63,671	533,543
	2028-2032	493,902	39,642	533,544
	2033-2037	519,159	14,384	533,543
Total		\$1,929,946	\$204,228	\$2,134,174

**VILLAGE OF DONNELSVILLE  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**6. DEFINED PENSION BENEFIT PLAN**

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

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Government’s net pension liability is expected to be significant.

The Ohio Revised Code prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants’ gross salaries for 2017. The Village has paid all contributions required through December 31, 2017.

**7. POSTEMPLOYMENT BENEFITS**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 1 percent of the employer contribution to fund these benefits.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**9. PRIOR PERIOD ADJUSTMENT**

The Beginning Fund Balances for the General and Sewer Funds were restated as follows:

	<u>General</u>	<u>Sewer</u>
Beginning Fund Balance (as Previously Stated):	\$ 192,570	\$ 162,836
Voided Deposits in Transit:	(1,386)	-
Unrecorded Fund Balance:	<u>-</u>	<u>11,902</u>
Beginning Fund Balance (as Restated):	<u>\$ 191,184</u>	<u>\$ 174,738</u>





**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

Village of Donnelsville  
Clark County  
P.O. Box 36  
Donnelsville, Ohio 45619

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Donnelsville, Clark County, (the Village) as of and for the years ended December 31, 2018 and 2017 and the related notes to the financial statements, and have issued our report thereon dated August 19, 2019, wherein we noted the Village followed financial reporting provisions that Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider findings 2018-001 and 2018-003 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-002.

***Village's Responses to the Findings***

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control testing and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.  
Piketon, Ohio  
August 19, 2019

**Village of Donnelsville**  
**Clark County**  
**Schedule of Findings and Responses**  
**December 31, 2018 and 2017**

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

<b>FINDING NUMBER</b>	<b>2018-001</b>
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**MATERIAL WEAKNESS**

Sound financial reporting is the responsibility of the fiscal officer and Village Council and is essential to ensure information provided to the readers of the financial statements is complete and accurate.

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Village’s internal controls over financial reporting. Misstatements were identified in the following areas for both 2017 and 2018:

- General Fund: Intergovernmental receipts, Property Tax receipts, General Government Disbursements, Fund balance
- Enterprise Fund: Principal and Interest disbursements, Fund Balance, Charges for Services, Contractual Services
- Special Revenue Funds: Intergovernmental receipts and Property Tax receipts

To ensure the Village’s financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Ohio Village Officer’s Handbook for guidance on the correct line item to post various receipts and expenditures of the Village.

**Client Response:** During the transition of fiscal officers in 2017/2018, lack of training contributed to incorrect procedures. With the help of Local Government Services we now have a better understanding of the correct policy and procedures.

<b>FINDING NUMBER</b>	<b>2018-002</b>
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**MATERIAL NONCOMPLIANCE**

Ohio Rev. Code, Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

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

- A. Then and Now Certificate – If the fiscal officer can certify that both at the time That the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment or the amount due. The Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

<p><b>Village of Donnelsville</b>  <b>Clark County</b>  <b>Schedule of Findings and Responses</b>  <b>December 31, 2018 and 2017</b></p>
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<b>FINDING NUMBER</b>	<b>2018-002 (Continued)</b>
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**MATERIAL NONCOMPLIANCE**

Amounts of less than \$3,000 maybe paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

- B. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any on particular line item appropriation.
  
- C. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonable predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Fiscal Officer’s certification was not utilized for several material disbursements made by the Village. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds prior to making a purchase obligation. Failure to properly certify funds could result in overspending and negative fund balances.

The Village should certify purchases to which 5705.41 (D) applies. The most convenient method is to use purchase orders that include the certification language 5705.41 (D) requires to authorize disbursements. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Client Response:** During the transition of fiscal officers in 2017/2018, lack of training contributed to incorrect procedures. With the help of Local Government Services we now have a better understanding of the correct policy and procedures.

<b>FINDING NUMBER</b>	<b>2018-003</b>
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**MATERIAL WEAKNESS**

Accurate reconciliation procedures are a key component of an effective accounting system required to enable the Village to properly classify transactions, maintain accountability for funds, distribute funds accurately, and detect fraud and errors in a timely manner.

**Village of Donnelsville**  
**Clark County**  
**Schedule of Findings and Responses**  
**December 31, 2018 and 2017**

<b>FINDING NUMBER</b>	<b>2018-003 (Continued)</b>
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**MATERIAL WEAKNESS**

We noted the following reconciling issues:

- The bank reconciliations were not provided to Council at their regular monthly meetings for review and approval.
- Posting of disbursements and receipts was not done on a timely basis. Disbursement and receipt transactions were not posted to the accounting system for several months after year end.
- Bank account transactions for an account related to sewer collections were not being posted to UAN when deposits were made.

Untimely recording of transactions and inaccurate reconciliations reduce management's ability to monitor of Village assets and funds and increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

We recommend the Village address the above out of balance conditions and ensure that monthly reconciliations are performed timely and all variances between the book and the bank are identified and resolved during the reconciliation process. We also recommend that the monthly reconciliations be included in the financial packet presented to Council and that Council review and sign off on these reconciliations noting this review and approval. We further recommend that all transactions be posted to the accounting system timely.

**Client Response:** After training with Local Government Services, all accounts can now be reconciled on a regular basis.

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# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF DONNELSVILLE**

**CLARK COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 7, 2019**