



Dave Yost • Auditor of State

VILLAGE OF DANVILLE
KNOX COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Danville
Knox County
512 South Market Street
Danville, Ohio 43014

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Danville, Knox County, Ohio, (the Village) as of and for the years ended December 31, 2014 and 2013.

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.

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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 or cash flows of the Village as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Danville, Knox County, Ohio, as of December 31, 2014 and 2013, 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 October 30, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

October 30, 2015

**VILLAGE OF DANVILLE
KNOX COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 28,579	\$ 56,099	\$ -	\$ 84,678
Municipal Income Tax	194,519	-	-	194,519
Intergovernmental	21,102	53,125	-	74,227
Charges for Services	62	-	-	62
Fines, Licenses and Permits	12,791	-	-	12,791
Earnings on Investments	313	-	-	313
Miscellaneous	10,028	8,507	-	18,535
<i>Total Cash Receipts</i>	<u>267,394</u>	<u>117,731</u>	<u>-</u>	<u>385,125</u>
Cash Disbursements				
Current:				
Security of Persons and Property	14,592	142,524	-	157,116
Leisure Time Activities	-	120,519	-	120,519
Community Environment	3,345	-	-	3,345
Transportation	-	95,624	-	95,624
General Government	141,881	-	-	141,881
Capital Outlay	-	16,236	-	16,236
Debt Service:				
Principal Retirement	-	9,000	39,249	48,249
Interest and Fiscal Charges	-	1,500	1,331	2,831
<i>Total Cash Disbursements</i>	<u>159,818</u>	<u>385,403</u>	<u>40,580</u>	<u>585,801</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>107,576</u>	<u>(267,672)</u>	<u>(40,580)</u>	<u>(200,676)</u>
Other Financing Receipts (Disbursements)				
Transfers In	-	223,000	40,580	263,580
Transfers Out	(223,000)	-	-	(223,000)
Other Financing Sources	4,088	-	-	4,088
Other Financing Uses	(17,028)	-	-	(17,028)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(235,940)</u>	<u>223,000</u>	<u>40,580</u>	<u>27,640</u>
<i>Net Change in Fund Cash Balances</i>	<u>(128,364)</u>	<u>(44,672)</u>	<u>-</u>	<u>(173,036)</u>
<i>Fund Cash Balances, January 1</i>	<u>199,745</u>	<u>95,266</u>	<u>17,604</u>	<u>312,615</u>
Fund Cash Balances, December 31				
Restricted	-	50,594	17,174	67,768
Assigned	-	-	430	430
Unassigned (Deficit)	71,381	-	-	71,381
<i>Fund Cash Balances, December 31</i>	<u>\$ 71,381</u>	<u>\$ 50,594</u>	<u>\$ 17,604</u>	<u>\$ 139,579</u>

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

**VILLAGE OF DANVILLE
KNOX COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 384,137
Miscellaneous	1,333
	385,470
Operating Cash Disbursements	
Personal Services	89,248
Employee Fringe Benefits	38,892
Contractual Services	118,986
Supplies and Materials	29,114
	276,240
<i>Total Operating Cash Receipts</i>	<i>385,470</i>
<i>Total Operating Cash Disbursements</i>	<i>276,240</i>
<i>Operating Income</i>	<i>109,230</i>
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	13,907
Capital Outlay	(44,616)
	(30,709)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(30,709)</i>
<i>Income before Transfers</i>	<i>78,521</i>
Transfers Out	(40,580)
<i>Net Change in Fund Cash Balances</i>	<i>37,941</i>
<i>Fund Cash Balances, January 1</i>	<i>84,093</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 122,034</i>

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

**VILLAGE OF DANVILLE
KNOX COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 32,938	\$ 59,049	\$ -	\$ 91,987
Municipal Income Tax	195,659	-	-	195,659
Intergovernmental	30,995	49,462	-	80,457
Charges for Services	133	-	-	133
Fines, Licenses and Permits	13,514	-	-	13,514
Earnings on Investments	462	-	-	462
Miscellaneous	40	23,958	-	23,998
<i>Total Cash Receipts</i>	<u>273,741</u>	<u>132,469</u>	<u>-</u>	<u>406,210</u>
Cash Disbursements				
Current:				
Security of Persons and Property	15,120	130,256	-	145,376
Public Health Services	3	-	-	3
Leisure Time Activities	500	15,884	-	16,384
Community Environment	3,350	-	-	3,350
Transportation	-	69,020	-	69,020
General Government	135,281	-	-	135,281
Capital Outlay	-	2,517	-	2,517
Debt Service:				
Principal Retirement	-	-	94,520	94,520
Interest and Fiscal Charges	-	-	3,358	3,358
<i>Total Cash Disbursements</i>	<u>154,254</u>	<u>217,677</u>	<u>97,878</u>	<u>469,809</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>119,487</u>	<u>(85,208)</u>	<u>(97,878)</u>	<u>(63,599)</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	838	838	-	1,676
Transfers In	-	80,000	97,878	177,878
Transfers Out	(80,000)	-	-	(80,000)
Other Financing Sources	3,943	-	-	3,943
Other Financing Uses	(8,243)	-	-	(8,243)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(83,462)</u>	<u>80,838</u>	<u>97,878</u>	<u>95,254</u>
<i>Net Change in Fund Cash Balances</i>	36,025	(4,370)	-	31,655
<i>Fund Cash Balances, January 1</i>	<u>163,720</u>	<u>99,636</u>	<u>17,604</u>	<u>280,960</u>
Fund Cash Balances, December 31				
Restricted	-	95,266	17,174	112,440
Assigned	-	-	430	430
Unassigned (Deficit)	199,745	-	-	199,745
<i>Fund Cash Balances, December 31</i>	<u>\$ 199,745</u>	<u>\$ 95,266</u>	<u>\$ 17,604</u>	<u>\$ 312,615</u>

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

**VILLAGE OF DANVILLE
KNOX COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 365,961
Miscellaneous	1,053
	<u>367,014</u>
<i>Total Operating Cash Receipts</i>	<u>367,014</u>
Operating Cash Disbursements	
Personal Services	92,400
Employee Fringe Benefits	29,413
Contractual Services	111,424
Supplies and Materials	26,426
Other	4
	<u>259,667</u>
<i>Total Operating Cash Disbursements</i>	<u>259,667</u>
<i>Operating Income</i>	<u>107,347</u>
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	89,125
Sale of Capital Assets	1,675
Capital Outlay	(147,283)
	<u>(56,483)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(56,483)</u>
<i>Income before Transfers and Advances</i>	<u>50,864</u>
Transfers Out	<u>(97,878)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(47,014)</u>
<i>Fund Cash Balances, January 1</i>	<u>131,107</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 84,093</u>

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

**VILLAGE OF DANVILLE
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. Summary of Significant Accounting Policies

A. Description of the Village

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Danville, Knox County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services.

The Village participates in the Eastern Knox County Joint Fire District, a jointly governed organization, and the Ohio Plan Risk Management Inc. public entity risk pool. Notes 9 and 11 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organization:

Eastern Knox County Joint Fire District:

The District provides fire protection services and emergency medical services within the District.

Public Entity Risk Pool:

Ohio Plan Risk Management Inc.

The plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage to its members.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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.

**VILLAGE OF DANVILLE
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Deposits

The Village has no investments. The Village maintains interest bearing checking and savings accounts.

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 for constructing, maintaining, and repairing Village streets.

Memorial Park Fund – This fund receives donations and general fund transfers to fund construction of the park.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Ohio Water Development Authority and Ohio Public Works Commission Debt Fund- This fund is used to retire the debt associated with the Richard Street Project and the Village water and sewer system.

**VILLAGE OF DANVILLE
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

4. 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:

Water Fund - This fund receives charges for services from residents to cover water service costs.

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

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object 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 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 carried over, and need not be reappropriated.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**VILLAGE OF DANVILLE
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

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 DANVILLE
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits

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

	2014	2013
Demand deposits	\$261,613	\$396,708

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ended December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$235,845	\$271,482	\$35,637
Special Revenue	298,656	340,731	42,075
Debt Service	14,613	40,580	25,967
Enterprise	535,876	399,377	(136,499)
Total	\$1,084,990	\$1,052,170	(\$32,820)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$401,421	\$400,489	\$932
Special Revenue	399,946	385,872	14,074
Debt Service	140,715	40,580	100,135
Enterprise	649,131	361,999	287,132
Total	\$1,591,213	\$1,188,940	\$402,273

**VILLAGE OF DANVILLE
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity (Continued)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$221,605	\$278,522	\$56,917
Special Revenue	201,720	213,307	11,587
Debt Service	21,216	97,878	76,662
Enterprise	489,278	457,814	(31,464)
Total	\$933,819	\$1,047,521	\$113,702

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$384,143	\$244,659	\$139,484
Special Revenue	340,476	224,958	115,518
Debt Service	172,095	97,878	74,217
Enterprise	559,298	511,869	47,429
Total	\$1,456,012	\$1,079,364	\$376,648

4. Property Tax

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

Public utilities are also taxed on personal and real property located within the Village.

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

**VILLAGE OF DANVILLE
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. Local Income Tax

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. The Village contracted with the Regional Income Tax Agency (RITA) to collect payments and process tax returns.

6. Capital Lease

In 2013, the Village entered into a capital lease for a police cruiser. Future minimum lease payments are as follows:

	Police Cruiser Lease
Year ending December 31:	
2015	\$8,887
2016	8,887
2017	8,887
2018	7,611
Total minimum payments required	34,272
Less: amount representing interest	(2,516)
Future minimum lease payments	\$31,756

7. Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
OPWC Loan (CQ06E) - Water Supply Improvement	\$202,732	0%
OWDA Loan (4489) - Water System Improvements	108,689	2%
OWDA Loan (5043) - Water Supply Improvements	210,572	0%
OWDA Loan (6077) - Collection System Rehab. & Repair	160,038	0%
Total	\$682,031	

In 2010, the Ohio Public Works Commission (OPWC) loan was issued for water supply improvements. The village will repay the loan in semiannual installments of \$6,540 over 20 years. The loan will be paid from water user charges.

In 2007, the Ohio Water Development Authority (OWDA) loan 4489 for water system improvements. The Village will repay the loan in semiannual installments of \$5,838 at 2% interest for 20 years. The loan will be paid from water user charges. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF DANVILLE
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Debt (Continued)

In 2012, the Ohio Water Development Authority (OWDA) loan 5043 was issued for water supply improvements. The Village will repay the loan in semiannual installments of \$4,297 over 30 years. The loan will be paid from water user charges. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

In 2012 the OWDA approved up to \$351,340 in loans to the Village for project 6077. The Village will repay the loans in semiannual installments of \$6,534, over 20 years. The OWDA will adjust scheduled payments to reflect any revisions in amounts the Village actually borrows. The loan will be paid from sewer user charges. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

A final amortization schedule has not been completed for OWDA Loan (4489). Amortization of the OPWC Loan (CQ06E), OWDA Loan (5043) and OWDA Loan (5043), including interest, is scheduled as follows:

Year ending December 31:	OPWC Loan (CQ06E)	OWDA Loan (5043)	OWDA Loan (6077)
2015	\$13,080	\$8,595	\$13,067
2016	13,080	8,595	13,067
2017	13,080	8,595	13,067
2018	13,080	8,595	13,067
2019	13,080	8,595	13,067
2020-2024	65,400	42,974	65,335
2025-2029	65,400	42,974	29,368
2030-2034	6,532	42,974	
2035-2040		38,675	
Total	\$202,732	\$210,572	\$160,038

8. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OP&F participants contributed 10% from January 1, 2013 to June 30, 2013, 10.75% from July 1, 2013 to June 30, 2014, and 11.50% from July 1, 2014 to December 31, 2014, of their wages. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2014 and 2013, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

**VILLAGE OF DANVILLE
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

9. Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	<u>(7,968,395)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org

10. Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**VILLAGE OF DANVILLE
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

11. Jointly Governed Organization

Eastern Knox County Joint Fire District

The Eastern Knox County Joint Fire District (the District) is a jointly governed organization pursuant to Ohio Revised Code Section 505.3371. The District was formed in 2001 and consists of Brown, Butler, Harrison, Howard, Jefferson, and Union Townships and the Villages of Brinkhaven and Danville. The Board consists of a trustee/councilperson from each township and village and an at large member appointed by the vote of the District Board. Revenues are generated from a five mil operating levy.

The Village of Danville appoints one board member (total of 9). The Fire District board oversees the activity and there is no financial interdependency between the Village and the Fire District.

12. Related Organization

Knox County Regional Planning Commission

The Council appoints one member of the Commission. There is no financial interdependency between the Village and the Commission.



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

Village of Danville
Knox County
512 South Market Street
Danville, Ohio 43014

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Danville, Knox County, Ohio, (the Village) as of and for the years ended December 31, 2014 and December 31, 2013, and the related notes to the financial statements and have issued our report thereon dated October 30, 2015, wherein we noted the Village followed financial reporting provisions 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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. We consider findings 2014-001 through 2014-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 through 2014-003.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

October 30, 2015

VILLAGE OF DANVILLE
KNOX COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001

Noncompliance/Material Weakness

Payment of Debt

Ohio Rev. Code § 133.01(LL) states "self-supporting securities" means securities or portions of securities issued for the purpose of paying costs of permanent improvements to the extent that receipts of the subdivision, other than the proceeds of taxes levied by that subdivision, derived from or with respect to the improvements or the operation of the improvements being financed, or the enterprise, system, project, or category of improvements of which the improvements being financed are part, are estimated by the fiscal officer to be sufficient to pay the current expenses of that operation or of those improvements or enterprise, system, project, or categories of improvements and the debt charges payable from those receipts on securities issued for the purpose. In addition, **Ohio Water Development Authority (OWDA) Loan Agreements 6607 and 5043, Section 4.3(a) and OWDA Loan Agreement 4489, Section 3.2a** indicate that it (the entity) will at all times prescribe and charge such rates to provide for the payments.

Ohio Rev. Code § 5705.10(I) states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit fund balance indicates money from another fund or funds was used to pay obligations of funds that carry the deficit fund balance.

During 2014 and 2013, the Village made \$40,580 and \$97,878, respectively, of debt payments for its Ohio Public Works Commission (OPWC) and OWDA loans out of the Debt Service Fund. However, during 2014 and 2013, only \$39,891 and \$39,885, respectively, of water fund user charges were transferred to the Debt Service Fund to pay the debt. This resulted in the Other Debt Service Fund originally having a negative fund balance of \$41,572 and \$47,422, respectively, at year end of 2014 and 2013.

As a result, for 2014 and 2013, adjustments of \$689 and \$57,993, respectively, were posted to the Village's accounting system and the financial statements to increase Debt Service Fund Transfers In and increase Enterprise Fund Transfers Out to account for the Enterprise Funds transferring the money to the Debt Service Fund to make the debt payment.

In addition, during 2013, the Village recorded an advance from the Sewer Fund to the Water Fund in the amount of \$50,000, which was not consistent with the purpose for which the Sewer Fund was established. As a result, the Sewer Fund's fund balance was understated and the Water Fund's fund balance was overstated. An adjustment was made to the financial statements and the Village's accounting system. This adjustment also caused the Water Operating Fund to have a negative fund balance of \$6,703 at December 31, 2013.

The Water Fund's fund balance deficit occurred because the user charges were not sufficient to cover expenses, including the debt payments.

The Village Council should establish and charge such water and sewer user rates to provide for the annual debt payments, as required by the OPWC and OWDA Loan Agreements. We also recommend the Village pay the debt payments directly from the Water and Sewer Funds because the user charges are to be used for repayment based on the debt agreements, rather than transferring the money to the Debt Service Fund.

**VILLAGE OF DANVILLE
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-002

Noncompliance/Material Weakness

OWDA Transactions

Ohio Rev. Code § 5705.42 requires, in part, that when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision. In addition, Auditor of State (AOS) Bulletin 2000-008 indicates when a local government enters into an on-behalf-of program agreement with another local government or the State, whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

In 2013, the Ohio Water Development Authority (OWDA) expended \$29,493 for a sewer project on behalf of the Village. Under the terms of this agreement, OWDA made project payments directly to the vendor/contractor(s) on the Village's behalf. This amount was not recognized as a receipt and disbursement, nor was it included in the appropriations or estimated resources, in the Village's accounting records, thus understating the Water and Sewer funds' debt proceed receipts and capital outlay disbursements, along with understating the Water and Sewer funds' appropriations and estimated resources. This was caused by the Village not having procedures in place for recording on-behalf of payments. An adjustment was made to the financial statements to recognize this receipt and disbursement.

Any payments made on behalf of the Village by another party should be recorded by the Village as a receipt and disbursement. See AOS Bulletin 2000-008 for further guidance on posting the on-behalf of activity. Failure to do so results in an understatement of receipts and disbursements. Additionally, since this grant is deemed to be appropriated pursuant to Ohio Rev. Code Section 5705.42, the Village should record the appropriations in their accounting records and should request an amended certificate of estimated resources to reflect the additional receipts.

**VILLAGE OF DANVILLE
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-003

Noncompliance/Material Weakness

Fund Balance Adjustment

Ohio Revised Code § 5705.10(D) indicates all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

During 2013, the Village posted a \$6,115 homestead and rollback receipt entirely to the General Fund tax receipts rather than allocating a portion to the Parks and Recreation and Police Funds as indicated by the county tax settlement sheets. As a result, \$2,079 was reclassified from tax receipts to intergovernmental receipts in the General Fund. In addition, the General Fund cash balance was overstated \$4,036, and the Parks and Recreation and Police Funds were understated \$826 and \$3,210, respectively.

These amounts were adjusted to the Village's accounting system and financial statements.

The Village should exercise due care when posting receipts to ensure receipts are posted to the correct funds. This will help more accurately reflect the Village's financial activity and will aid in more accurate financial reporting.

Officials' Response: The Village did not respond to the findings.

**VILLAGE OF DANVILLE
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Ohio Rev. Code § 5705.14 – Unauthorized transfers.	Yes	
2012-02	Ohio Rev. Code § 5705.41(D)(1) – The Village did not certify funds prior to incurring financial obligations.	No	Not Corrected – See comment in Management Letter.
2012-03	Ohio Rev. Code § 5705.41(B) – The Village was expending money that was not appropriated	Yes	
2012-04	Budgetary Information and Budgetary Monitoring - the Village's budgetary accounting records did not agree to the last Official Amended Certificate of Estimated Resources certified or the Annual Appropriation approved by the Village Council	No	Not Corrected – See comment in Management Letter.



Dave Yost • Auditor of State

VILLAGE OF DANVILLE

KNOX 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
DECEMBER 31, 2015