



Dave Yost • Auditor of State

VILLAGE OF DANVILLE
KNOX COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type - For the Year Ended December 31, 2010.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2009.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings	19
Schedule of Prior Audit Findings	26

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Dave Yost • Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Dave Yost
Auditor of State

September 15, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Danville, Knox County, Ohio, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits.

Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Danville, Knox County, Ohio, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

September 15, 2011

**VILLAGE OF DANVILLE
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Property and Local Taxes	\$34,464.33	\$58,350.79	\$0.00	\$92,815.12
Municipal Income Tax	168,002.93	0.00	0.00	168,002.93
Intergovernmental	50,727.19	74,637.44	0.00	125,364.63
Charges for Services	93.98	0.00	0.00	93.98
Fines, Licenses and Permits	8,186.58	0.00	0.00	8,186.58
Earnings on Investments	1,754.42	0.00	0.00	1,754.42
Miscellaneous	139.00	1,925.69	0.00	2,064.69
Total Cash Receipts	263,368.43	134,913.92	0.00	398,282.35
Cash Disbursements:				
Current:				
Security of Persons and Property	13,626.57	117,938.31	0.00	131,564.88
Public Health Services	1,077.64	0.00	0.00	1,077.64
Leisure Time Activities	106.52	11,658.87	0.00	11,765.39
Transportation	0.00	107,368.03	0.00	107,368.03
General Government	132,131.35	0.00	0.00	132,131.35
Debt Service:				
Redemption of Principal	0.00	4,346.73	128,175.07	132,521.80
Interest and Fiscal Charges	0.00	653.27	10,372.49	11,025.76
Total Cash Disbursements	146,942.08	241,965.21	138,547.56	527,454.85
Total Receipts Over/(Under) Disbursements	116,426.35	(107,051.29)	(138,547.56)	(129,172.50)
Other Financing Receipts / (Disbursements):				
Transfers-In	0.00	60,000.00	133,875.48	193,875.48
Transfers-Out	(60,000.00)	(706.00)	0.00	(60,706.00)
Other Financing Sources	21.00	120.00	0.00	141.00
Other Financing Uses	(4,736.08)	0.00	0.00	(4,736.08)
Total Other Financing Receipts / (Disbursements)	(64,715.08)	59,414.00	133,875.48	128,574.40
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	51,711.27	(47,637.29)	(4,672.08)	(598.10)
Fund Cash Balances, January 1	207,235.71	91,023.21	20,735.11	318,994.03
Fund Cash Balances, December 31	\$258,946.98	\$43,385.92	\$16,063.03	\$318,395.93

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

**VILLAGE OF DANVILLE
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$359,331.81
Miscellaneous	1,251.39
	<u>360,583.20</u>
Operating Cash Disbursements:	
Personal Services	88,616.14
Employee Fringe Benefits	40,634.89
Contractual Services	75,224.76
Supplies and Materials	22,282.45
	<u>226,758.24</u>
Total Operating Cash Receipts	<u>360,583.20</u>
Total Operating Cash Disbursements	<u>226,758.24</u>
Operating Income	<u>133,824.96</u>
Non-Operating Cash Receipts:	
Intergovernmental	93,280.66
Miscellaneous Receipts	5.00
	<u>93,285.66</u>
Total Non-Operating Cash Receipts	<u>93,285.66</u>
Non-Operating Cash Disbursements:	
Capital Outlay	<u>150,843.60</u>
Total Non-Operating Cash Disbursements	<u>150,843.60</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	76,267.02
Transfers-Out	<u>(133,169.48)</u>
Net Receipts (Under) Disbursements	(56,902.46)
Fund Cash Balances, January 1	<u>322,462.86</u>
Fund Cash Balances, December 31	<u>\$265,560.40</u>

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

**VILLAGE OF DANVILLE
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Local Taxes	\$28,367.75	\$55,888.49	\$0.00	\$84,256
Municipal Income Tax	184,854.64	0.00	0.00	184,854.64
Intergovernmental	47,472.52	50,571.76	0.00	98,044.28
Charges for Services	92.66	0.00	0.00	92.66
Fines, Licenses and Permits	11,173.71	0.00	0.00	11,173.71
Earnings on Investments	1,977.99	0.00	0.00	1,977.99
Miscellaneous	7,184.43	53,037.60	0.00	60,222.03
	<u>281,123.70</u>	<u>159,497.85</u>	<u>0.00</u>	<u>440,621.55</u>
Total Cash Receipts				
	<u>281,123.70</u>	<u>159,497.85</u>	<u>0.00</u>	<u>440,621.55</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	11,956.72	128,853.50	0.00	140,810.22
Public Health Services	718.43	0.00	0.00	718.43
Leisure Time Activities	91.24	10,996.32	0.00	11,087.56
Transportation	0.00	40,724.12	0.00	40,724.12
General Government	107,691.56	0.00	0.00	107,691.56
Debt Service:				
Redemption of Principal	0.00	3,586.56	107,416.98	111,003.54
Interest and Fiscal Charges	0.00	1,109.49	12,611.95	13,721.44
Capital Outlay	0.00	21,730.99	0.00	21,730.99
	<u>120,457.95</u>	<u>207,000.98</u>	<u>120,028.93</u>	<u>447,487.86</u>
Total Cash Disbursements				
	<u>120,457.95</u>	<u>207,000.98</u>	<u>120,028.93</u>	<u>447,487.86</u>
Total Receipts Over/(Under) Disbursements	<u>160,665.75</u>	<u>(47,503.13)</u>	<u>(120,028.93)</u>	<u>(6,866.31)</u>
Other Financing Receipts / (Disbursements):				
Sale of Fixed Assets	21,824.85	0.00	0.00	21,824.85
Transfers-In	0.00	58,732.00	120,795.98	179,527.98
Transfers-Out	(56,000.00)	(7,497.00)	0.00	(63,497.00)
Other Financing Sources	5,831.48	720.00	0.00	6,551.48
Other Financing Uses	(1,442.20)	0.00	0.00	(1,442.20)
	<u>(29,785.87)</u>	<u>51,955.00</u>	<u>120,795.98</u>	<u>142,965.11</u>
Total Other Financing Receipts / (Disbursements)				
	<u>(29,785.87)</u>	<u>51,955.00</u>	<u>120,795.98</u>	<u>142,965.11</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	130,879.88	4,451.87	767.05	136,098.80
Fund Cash Balances, January 1	<u>76,355.83</u>	<u>86,571.34</u>	<u>19,968.06</u>	<u>182,895.23</u>
Fund Cash Balances, December 31	<u><u>\$207,235.71</u></u>	<u><u>\$91,023.21</u></u>	<u><u>\$20,735.11</u></u>	<u><u>\$318,994.03</u></u>

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

**VILLAGE OF DANVILLE
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$357,461.89
Miscellaneous	6,565.88
	364,027.77
Operating Cash Disbursements:	
Personal Services	84,368.98
Employee Fringe Benefits	38,983.83
Contractual Services	94,920.12
Supplies and Materials	22,241.66
	240,514.59
Operating Income	123,513.18
Non-Operating Cash Receipts:	
Intergovernmental	160,590.49
Other Debt Proceeds	441,199.00
Sale of Fixed Assets	3,000.00
	604,789.49
Non-Operating Cash Disbursements:	
Capital Outlay	584,160.76
	584,160.76
Excess of Receipts Over Disbursements Before Interfund Transfers	144,141.91
Transfers-In	4,059.00
Transfers-Out	(120,089.98)
Net Receipts Over Disbursements	28,110.93
Fund Cash Balances, January 1 (Restated)	294,351.93
Fund Cash Balances, December 31	\$322,462.86

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, 2010 AND 2009**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Danville, Knox County, Ohio, (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 contracts with the Eastern Knox County Joint Fire District to receive fire protection services and emergency medical services.

The Village participates in the Eastern Knox County Joint Fire District a jointly governed organization and the Ohio Plan public entity risk pool. Notes 10 and 8 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Eastern Knox County Joint Fire District:

The District provides fire protection and rescue services within the District.

Public Entity Risk Pool:

Ohio Plan

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.

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 Auditor of State prescribes or permits.

C. Deposits

The Village maintains an interest bearing checking and savings accounts.

**VILLAGE OF DANVILLE
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. 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.

Police Fund – This fund receives general and tangible personal property tax money for the operation of the Village police department.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Funds:

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.

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.

Grant Construction Fund - This fund receives loan proceeds from the Ohio Water Development Authority and the Ohio Public Works Commission to finance water well and waste water improvements.

**VILLAGE OF DANVILLE
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also 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 2010 and 2009 budgetary activity appears in Note 3.

F. 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.

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

	<u>2010</u>	<u>2009</u>
Demand deposits	<u>\$583,957</u>	<u>\$641,457</u>

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF DANVILLE
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$238,432	\$263,389	\$24,957
Special Revenue	190,350	195,034	4,684
Debt Service	116,122	133,875	17,753
Enterprise	365,000	453,869	88,869
Total	<u>\$909,904</u>	<u>\$1,046,167</u>	<u>\$136,263</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$410,008	\$211,678	\$198,330
Special Revenue	277,580	242,671	34,909
Debt Service	136,822	138,548	(1,726)
Enterprise	639,911	510,771	129,140
Total	<u>\$1,464,321</u>	<u>\$1,103,668</u>	<u>\$360,653</u>

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$215,806	\$308,780	\$92,974
Special Revenue	190,950	218,950	28,000
Debt Service	101,588	120,796	19,208
Enterprise	352,300	1,103,235	750,935
Total	<u>\$860,644</u>	<u>\$1,751,761</u>	<u>\$891,117</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$287,502	\$177,900	\$109,602
Special Revenue	247,948	214,498	33,450
Debt Service	116,556	120,029	(3,473)
Enterprise	689,542	1,075,125	(385,583)
Total	<u>\$1,341,548</u>	<u>\$1,587,552</u>	<u>(\$246,004)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street Construction, Maintenance, and Repair fund by \$37,662 for the year ended December 31, 2010 and the Ohio Public Works Debt Service fund by \$11,881 for the year ended December 31, 2010, and the Grant construction fund by \$574,140 and the Ohio Water Development Authority Debt Service fund by \$4,672 for the year ended December 31, 2009.

**VILLAGE OF DANVILLE
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

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.

6. Debt

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
OPWC Loan - Richards Street	\$3,068	0.00%
OPWC Loan (CQ06E)- Water Supply Improvement	\$170,276	0.00%
OWDA Loan (2228) Wastewater Treatment Facility Upgrade	\$249,005	2.20%
OWDA Loan (4489) Water Systems Improvements	\$141,571	2.00%
OWDA Loan (5043) Water Treatment Improvements	\$243,827	0.00%
Police Crusier Loan	\$8,672	5.20%
Total	\$816,419	

The Ohio Public Works Commission (OPWC) loans are for the extension of a Village street and water lines.

The Ohio Water Development Authority (OWDA) loans are for improvements mandated by the Environmental Protection Agency (EPA), to be completed for the Village water and sewer system.

The Police Cruiser Loan was for acquisition of a police cruiser. The loan was obtained in 2007 with the first payment required in 2008.

**VILLAGE OF DANVILLE
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Debt (Continued)

Final amortization schedules have not been completed for OPWC loan CQ06E or OWDA loans 4489 and 5043. Amortization of the OWPC Richards Street loan, OWDA loan 2228 and the Police Cruiser loan, including interest, is scheduled as follows:

Year ending December 31:	<u>OPWC Loan</u>	<u>OWDA Loan</u>	<u>Police Cruiser</u>
2011	\$1,534	\$51,456	\$4,696
2012	\$1,534	102,912	4,696
2013	0	102,912	0
Total	<u>\$3,068</u>	<u>\$257,280</u>	<u>\$9,392</u>

7. Retirement Systems

The Village's law enforcement 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 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of members' wages. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

8. Risk Management

Prior to 2009 the Village belonged to the Public Entities Pool of Ohio. The Village now belongs to the Ohio Plan. Prior to 2009 the Ohio Plan was called the Ohio Government Risk Management Plan (the "Plan"), and was 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 was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

**VILLAGE OF DANVILLE
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

8. Risk Management (Continued)

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. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), 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 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Government participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Government does not participate in this coverage.

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 retained earnings at December 31: 2010 and include amounts for both OPRM and OPHC:

	2010 OPRM	OPHC	2009 OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	\$7,191,485	\$300,035	\$6,323,701	\$105,185

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

**VILLAGE OF DANVILLE
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

9. Contingent Liabilities

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

10. Jointly Governed Organizations

Eastern Knox County Joint Fire District

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

11. Related Organizations

Knox County Regional Planning Commission

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

12. Restatement

The Grant Construction Fund was improperly reported as governmental fund in the 2008 financial statements. The activity for the Grant Construction Fund should have been reported as an enterprise fund.

Properly reporting this activity had the following effect on cash balances on January 1, 2009:

	Capital Projects Fund	Enterprise Fund
Cash fund balance as of December 31, 2008	\$ 88,522.41	\$ 205,829.52
Restatement to properly report Grant Construction Fund	\$ (88,522.41)	\$ 88,522.41
Restated cash fund balance as of January 1, 2009	\$ -	\$ 294,351.93



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' 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 the financial statements of the Village of Danville, Knox County, Ohio, (the Village) as of and for the year ended December 31, 2010 and 2009, and have issued our report thereon dated September 15, 2011 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-01 described in the accompanying schedule of findings to be a material weakness.

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 finding 2010-04 described in the accompanying schedule of findings to be a significant deficiency.

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, providing an opinion 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, 2010-01 through 2010-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 15, 2011.

We intend this report solely for the information and use of management, the Village Council, and others within the Village. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

September 15, 2011

**VILLAGE OF DANVILLE
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-01

Material Noncompliance/Material Weakness

Village Transfers

Ohio Rev. Code Section 5705.14, 5705.15, and 5705.16 provide guidelines pertaining to allowable interfund transfers. Ohio Rev. Code Section 5705.14 provides that interfund transfers shall only be made by resolution of the taxing authority. See also 1989 Op. Atty. Gen. No. 89-075 (Ohio Rev. Code Section 5705.14(E) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general revenue fund to specific funds). In certain circumstances, which are detailed in Ohio Rev. Code Section 5705.14, transfers from funds other than the General Fund may be made by a resolution passed by a two-thirds vote of the taxing authority.

During fiscal year 2010, the Fiscal Officer made the following transfers between funds; however, the Village Council never approved them:

	To Police Fund:	To Street Fund:	Total
From General Fund:	\$35,000	\$36,700	\$71,700

We recommend all transfers be approved by Village Council and be documented in detail in the Council's minutes.

The Village has posted the necessary adjustments to reverse the effects of these transfers in their accounting system and the adjustments are reflected in the financial statements.

FINDING NUMBER 2010-02

Material Noncompliance

Certification of Funds

Ohio Rev. Code Section § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due therein.

There are several exceptions to the standard requirement stated above that the fiscal officer certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

VILLAGE OF DANVILLE
KNOX COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)

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

FINDING NUMBER 2010-02
(Continued)

Material Noncompliance (Continued)

1. “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 fiscal officer 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.

Amounts of less than \$3,000 may be 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 District.

2. Blanket Certificate – The fiscal officer 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 one particular line item appropriation.

3. 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 reasonably 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 Clerk-Treasurer did not properly certify the availability of funds prior to purchase commitment for twenty-nine percent (29%) of the expenditures tested in fiscal year 2010 and twenty-seven percent (27%) of the expenditures tested in fiscal year 2009 and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

We recommend the Clerk-Treasurer certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk-Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk-Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**VILLAGE OF DANVILLE
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-03

Material Non Compliance

Expenditures Exceeding Appropriations

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Village's actual expenditures exceeded appropriations in the following funds:

Year	Fund	Appropriations	Actual Expenditure	Variance
2010	Street Const., Maint., & Repair	\$ 68,306	\$ 105,968	\$ (37,662)
2010	Ohio Public Works Debt Service	\$ 2,733	\$ 14,614	\$ (11,881)
2009	Grant Construction	\$ 0	\$ 574,140	\$ (574,140)
2009	Ohio Water Dev. Auth. Debt Service	\$ 114,590	\$ 119,262	\$ (4,672)

Expenditures that exceed appropriations could lead to deficit spending.

The Clerk-Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk-Treasurer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Finding Number 2010-04

Significant Deficiency

Financial Statement Presentation, Budgetary Information, and Budgetary Monitoring

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Village's financial statements.

The Clerk-Treasurer did not always accurately post receipts and disbursements to the Village's accounting system and financial statements. The following posting errors were noted:

**VILLAGE OF DANVILLE
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2010-04
(Continued)**

Financial Statement Presentation, Budgetary Information, and Budgetary Monitoring (Continued)

Posting Errors:	2010	2009
General Fund: Commercial Activity Taxes (CAT) and Utility Deregulation receipts were posted as taxes instead of intergovernmental receipts.	\$ 3,474	
General Fund: Franchise fees were posted as taxes rather than Fines, Licenses, and Permits.	\$2,451	
Special Revenue Fund: CAT and Utility Deregulation were posted as taxes instead of intergovernmental receipts.	\$ 3,430	
Special Revenue Fund: Ohio Public Works Commission (OPWC) receipts were posted as miscellaneous receipts rather than intergovernmental receipts. <i>(Reclassification made to the financial statements)</i>	\$ 30,242	
Enterprise Fund: Due to a reclassification of bank accounts in the UAN system, the system balance in the enterprise fund is overstated.	\$ 1,067	
General Revenue Fund: CAT and Utility Deregulation were posted as taxes instead of intergovernmental receipts. <i>(Reclassification made to the financial statements)</i>		\$11,025
Special Revenue Fund: CAT, Utility Deregulation, and other intergovernmental receipts were posted as taxes instead of intergovernmental receipts		\$ 1,417
Debt Service Fund: Interest payments were recorded as principal payments. <i>(Reclassification made to the financial statements)</i>		\$ 1,758
Enterprise Fund: Proceeds from the Ohio Water Development Authority (OWDA) were classified as intergovernmental receipts rather than debt proceeds. <i>(Reclassification made to the financial statements)</i>		\$ 171,662
Enterprise Fund: The Village did not record payments made by the OWDA on behalf of the Village. These on-behalf payments are considered debt proceeds to the Village. <i>(Entry has been made to the financial statements)</i>		\$ 86,181
Enterprise Fund: Proceeds from the OPWC were classified as intergovernmental receipts rather than debt proceeds. <i>(Reclassification made to the financial statements)</i>		\$ 153,475
Enterprise Fund: A repayment of an advance made by the water fund to the sewer fund was recorded as miscellaneous receipts in water fund and capital outlay in the sewer fund rather than advances in and out. <i>(Reclassifications made to the financial statements)</i>		\$130,359

**VILLAGE OF DANVILLE
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

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

**FINDING NUMBER 2010-04
(Continued)**

Financial Statement Presentation, Budgetary Information, and Budgetary Monitoring (Continued)

Not posting receipts and disbursements accurately to the ledgers resulted in the financial statements requiring numerous audit reclassifications and adjusting entries; furthermore, inaccurate accounting records could make it difficult for the Village Council to effectively monitor the Village's activities or identify misstatements or errors in a timely manner.

We recommend the Village's Clerk-Treasurer take steps to ensure the accurate posting of all transactions to the ledgers. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network line item descriptions and Auditor of State Bulletins. By exercising accuracy in recording financial activity, the Village can reduce posting errors and increase the reliability of the financial data throughout the year.

Where noted above the Village's financial statements have been adjusted to accurately reflect the proper line item classifications.

In addition to the financial statement items noted above the budgetary information posted to the Village's accounting system and footnotes to the financial statements did not agree to the Final Amended Certificate and last Annual Appropriation Measure net of any properly approved supplemental appropriations measures as follows:

2009 Appropriations

Fund Name	Appropriations Filed with County	Appropriations in UAN	Variance
General Fund	\$287,502	\$310,234	(\$22,732)
Police Fund	\$137,843	\$182,988	(\$45,145)
Grant Construction	\$0	\$998,292	(\$998,292)
Sewer Fund	\$412,113	\$416,816	(\$4,703)

2010 Appropriations

Fund Name	Appropriations Filed with County	Appropriations in UAN	Variance
Street Fund	\$68,306	\$123,306	\$55,000
Police Fund	\$143,020	\$175,088	\$32,068
Bond Retirement	\$2,733	\$15,382	\$12,649

**VILLAGE OF DANVILLE
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2010-04
(Continued)**

Financial Statement Presentation, Budgetary Information, and Budgetary Monitoring (Continued)

2009 Amended Certificates

Fund Name	County Approved Certificates	Resources in UAN	Variance
General	\$306,044	\$385,114	\$79,070
Fire	\$213	\$367	\$154
Police	\$183,073	\$173,611	(\$9,462)
Grant Construction	\$742,561	\$908,275	\$165,713
Sewer Operating	\$414,956	\$541,135	\$126,179

2010 Amended Certificates

Fund Name	County Approved Certificates	Resources in UAN	Variance
General	\$445,728	\$471,685	\$25,957
Street	\$99,257	\$167,157	\$67,900
Police	\$144,361	\$192,612	\$48,251
Permissive Motor Vehicle	\$10,889	\$10,690	(\$200)
Bond Retirement	\$22,269	\$140,702	\$118,433
Water	\$278,976	\$276,255	(\$2,751)

If budgetary information in the accounting system is not updated, management may not have the information available to make the best decisions regarding Village operations. This could cause the Village to make appropriations in excess of estimated resources, as well as, lead to deficit spending in violation of the Ohio Revised Code.

The Clerk-Treasurer should update the Village's accounting system as the Village submits the Official Amended Certificate of Estimated Resources and the Amended Appropriation Measure to the County Auditor. The Clerk-Treasurer should also include any approved grants that are not part of the appropriation measure in the accounting system and ensure the footnotes to the financial statements include the final approved (or deemed appropriated in the case of Federal or State grants and loans) amounts.

Furthermore, the Village Council approves an annual appropriations resolution at beginning of each year and updates the appropriations throughout the year. In order to ensure compliance with Ohio Revised Code budgetary requirements the Village Council should monitor budget versus actual information throughout the fiscal year for all funds. In addition, the Council should also monitor budgeted receipts versus actual.

VILLAGE OF DANVILLE
KNOX COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)

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

Officials' Response: We did not receive a response from Officials to the findings reported above.

VILLAGE OF DANVILLE
KNOX COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-01	Ohio Rev. Code Section 5705.39 - Appropriations exceeded the total of the estimated resources available for expenditures for certain funds.	Yes	N/A



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
NOVEMBER 10, 2011