

**VILLAGE OF DANVILLE
KNOX COUNTY, OHIO**

Financial Statements
(Audited)

For the Year Ended
December 31, 2018

OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of Danville
512 South Market Street
Danville, OH 43014

We have reviewed the *Independent Auditor's Report* of the Village of Danville, Knox County, prepared by Julian & Grube, Inc., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Danville is responsible for compliance with these laws and regulations

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 22, 2019

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**VILLAGE OF DANVILLE
KNOX COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Danville, Knox County, Ohio, as of and for the year ended December 31, 2018.

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 of Danville'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 of Danville's internal control. Accordingly, we express no such 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 2 of the financial statements, the Village of Danville prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Danville, Knox County, Ohio, as of December 31, 2018, for the year 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2019, on our consideration of the Village of Danville'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 of Danville's internal control over financial reporting and compliance.



Julian & Grube, Inc.
May 18, 2019

**VILLAGE OF DANVILLE
KNOX COUNTY, OHIO**

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

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Property and Other Local Taxes	\$ 37,466	\$ 92,488	\$ -	\$ -	\$ 129,954
Municipal Income Tax	212,102	105,936	-	-	318,038
Intergovernmental	17,649	45,383	-	-	63,032
Charges for Services	762	3,000	-	-	3,762
Fines, Licenses and Permits	18,303	-	-	-	18,303
Earnings on Investments	268	-	-	-	268
Miscellaneous	34,153	71,822	-	-	105,975
Total cash receipts	<u>320,703</u>	<u>318,629</u>	<u>-</u>	<u>-</u>	<u>639,332</u>
Cash disbursements:					
Current:					
Security of Persons and Property	15,068	331,228	-	-	346,296
Leisure Time Activities	5,450	16,081	-	-	21,531
Community Environment	218	-	-	-	218
Transportation	-	56,423	-	-	56,423
General Government	187,729	-	-	-	187,729
Capital Outlay	-	44,163	-	-	44,163
Debt Service:					
Principal Retirement	-	5,548	-	-	5,548
Interest and Fiscal Charges	-	1,486	-	-	1,486
Total cash disbursements	<u>208,465</u>	<u>454,929</u>	<u>-</u>	<u>-</u>	<u>663,394</u>
Excess of receipts over (under) disbursements	<u>112,238</u>	<u>(136,300)</u>	<u>-</u>	<u>-</u>	<u>(24,062)</u>
Other Financing Receipts (Disbursements):					
Transfers In	-	125,450	-	-	125,450
Transfers Out	(125,450)	-	-	-	(125,450)
Other Financing Sources	4,322	-	-	-	4,322
Other Financing Uses	(37,163)	-	-	-	(37,163)
Total Other Financing Receipts (Disbursements)	<u>(158,291)</u>	<u>125,450</u>	<u>-</u>	<u>-</u>	<u>(32,841)</u>
Net change in fund cash balances	<u>(46,053)</u>	<u>(10,850)</u>	<u>-</u>	<u>-</u>	<u>(56,903)</u>
Fund cash balances, January 1, 2018	<u>175,362</u>	<u>41,939</u>	<u>430</u>	<u>349</u>	<u>218,080</u>
Fund cash balances:					
Restricted	-	47,659	-	349	48,008
Assigned	-	-	430	-	430
Unassigned (Deficit)	129,309	(16,570)	-	-	112,739
Fund cash balances, December 31, 2018	<u>\$ 129,309</u>	<u>\$ 31,089</u>	<u>\$ 430</u>	<u>\$ 349</u>	<u>\$ 161,177</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF DANVILLE
KNOX COUNTY, OHIO**

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

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating cash receipts:	
Charges for Services	\$ 418,748
Miscellaneous	2,606
Total operating cash receipts	421,354
Operating cash disbursements:	
Personal Services	91,875
Employee Fringe Benefits	56,116
Contractual Services	94,442
Supplies and Materials	21,763
Other	22,713
Total operating cash disbursements	286,909
Operating income (loss)	134,445
Nonoperating cash receipts/(disbursements):	
Other Debt Proceeds	1,985,189
Special Assessments	106,605
Capital Outlay	(1,932,414)
Other Financing Uses	(2,184)
Principal Retirement	(59,296)
Interest and Other Fiscal Charges	(1,694)
Total nonoperating cash receipts/(disbursements)	96,206
Net change in fund cash balances	230,651
Fund cash balances, January 1, 2018	208,275
Fund cash balances, December 31, 2018	\$ 438,926

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF DANVILLE
KNOX COUNTY, OHIO**

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

NOTE 1 - REPORTING ENTITY

The Village of Danville, Knox County, Ohio, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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 5 and 9 to the financial statements provides additional information for these entities. These organizations are;

Jointly Governed Organization:

EASTERN KNOX COUNTY JOINT FIRE DISTRICT:

This 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for proprietary fund type which are organized on a fund type basis.

DEPOSITS:

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

FUND ACCOUNTING:

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

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

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 Fund:

Police Fund - This fund receives property and income taxes for the operation of the Village's Police Department.

**VILLAGE OF DANVILLE
KNOX COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Debt Service Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. The Village did not have activity in Debt Service Funds during the year

Capital Project Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village did not have activity in Capital Projects Funds during the year.

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.

BASIS OF ACCOUNTING:

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 Council 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.

BUDGETARY PROCESS:

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

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. Unencumbered appropriations lapse at year end.

ESTIMATED RESOURCES:

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

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 re-appropriated.

**VILLAGE OF DANVILLE
KNOX COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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:

Non-spendable - The Village classifies assets as non-spendable when legally or contractually required to maintain the amounts intact.

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

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.

Assigned - Assigned fund balances are intended for specific purposed 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.

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 disbursements 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 by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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.

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.

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:

	<u>2018</u>
Demand Deposits	<u>\$ 600,103</u>

**VILLAGE OF DANVILLE
KNOX COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Deposits are insured by the Federal Depository Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by Surety Company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

NOTE 3 - BUDGETARY ACTIVITY

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

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 292,497	\$ 325,025	\$ 32,528
Special Revenue	249,700	444,079	194,379
Enterprise	<u>2,482,596</u>	<u>2,513,148</u>	<u>30,552</u>
Total	<u>\$ 3,024,793</u>	<u>\$ 3,282,252</u>	<u>\$ 257,459</u>

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 442,408	\$ 371,203	\$ 71,205
Special Revenue	417,063	455,820	(38,757)
Debt Service	1,964	-	1,964
Enterprise	<u>2,649,088</u>	<u>2,385,370</u>	<u>263,718</u>
Total	<u>\$ 3,510,523</u>	<u>\$ 3,212,393</u>	<u>\$ 298,130</u>

NOTE 4 - TAXES

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.

Local Income Tax - The Village levies a municipal income tax of 1.5% for 2018 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.

**VILLAGE OF DANVILLE
KNOX COUNTY, OHIO**

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

NOTE 4 - TAXES - (Continued)

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 has contracted with the Regional Income Tax Agency (RITA) to collect payments and process tax returns.

NOTE 5 - RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 764 members as of December 31, 2017 (the latest information available).

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, 2017 (the latest information available).

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

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

**VILLAGE OF DANVILLE
KNOX COUNTY, OHIO**

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

NOTE 6 - DEFINED BENEFIT PENSION PLAN

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 postemployment healthcare and survivor and disability benefits.

For January – December 2018, OP&F participants contributed 12.25% and the Village contributed 19.5%. For 2018, OPERS, members contributed 10% and the Village contributed 14% respectively, of Participants gross salaries. The Village has paid all contributions required through 2018.

NOTE 7 - POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 0 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

NOTE 8 - DEBT

Debt outstanding at December 31, 2018 was as follows:

<u>Description</u>	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan (CQ06E) - Water Supply Improvements	\$ 143,875	0.00%
OWDA Loan (4489) - Water System Improvements	78,022	2.00%
OWDA Loan (5043) - Water Supply Improvements	176,192	0.00%
OWDA Loan (6077) - Collection System Rehab. & Repair	177,524	0.00%
OWDA Loan (7821) - Sanitary Sewer Trenchless Rehabilitation	162,077	0.00%
OWDA Loan (7894) - WWTP Upgrade	1,853,133	
Total	<u>\$ 2,590,823</u>	

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 was issued for water system improvements. The Village will repay the loan in semiannual installments of \$5,301 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.

In 2012, the 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 loan will be paid from sewer user charges. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF DANVILLE
KNOX COUNTY, OHIO**

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

NOTE 8 - DEBT - (Continued)

In 2015, the OWDA approved up to \$31,500 in loans to the Village for project 6945. The Village will repay the loans in semiannual installments of \$3,150, over 5 years. The loan will be paid from sewer user charges. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

In 2017, the OWDA approved up to \$182,123 in loans to the Village for project 7821. The Village will repay the loans in semiannual installments of \$4,553, over 20 years. The loan will be paid from sewer user charges. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

In 2018, the OWDA approved up to \$2,217,658 in loans to the Village for project 7894. The loan is not finalized, but future loan payments will be paid from sewer user charges. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Amortization of the OPWC Loan (CQ06E), OWDA Loan (4489), OWDA Loan (5043), OWDA Loan (6077), OWDA Loan (6945), and OWDA Loan (7821), including interest, is scheduled as follows:

Year Ending December 31,	OPWC Loan (CQ06E)	OWDA Loan (4489)	OWDA Loan (5043)	OWDA Loan (6077)	OWDA Loan (7821)
2019	\$ 13,080	\$ 10,602	\$ 8,595	\$ 13,067	\$ 9,106
2020	13,080	10,602	8,595	13,067	9,106
2021	13,080	10,602	8,595	13,067	9,106
2022	13,080	10,602	8,595	13,067	9,106
2023	13,080	10,602	8,595	13,067	9,106
2024-2028	65,400	31,809	42,974	65,335	45,530
2029-2033	13,075	-	42,974	46,854	45,530
2034-2038	-	-	42,974	-	25,487
2039	-	-	4,295	-	-
Total	\$ 143,875	\$ 84,819	\$ 176,192	\$ 177,524	\$ 162,077

Leases

The Village leases police vehicles under noncancelable leases. The Village disbursed \$13,296 in principal and interest to pay lease costs for the year ended December 31, 2018.

NOTE 9 - JOINT VENTURES

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/council person from each township and village and an “at large” member appointed by vote of the District Board. Revenues are generated from a five mil operating levy.

**VILLAGE OF DANVILLE
KNOX COUNTY, OHIO**

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

NOTE 10 - 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.

NOTE 11 - COMPLIANCE

Contrary to Ohio Revised Code Section 5705.41(B) and 5705.40, budgetary expenditures exceeded appropriation authority in certain funds and system appropriations did not agree to Council approved appropriations.

Contrary to Ohio Revised Code Section 5705.39 and 5705.36, certain funds had appropriations in excess of estimated resources.

Contrary to Ohio Revised Code Section 5705.41(D), 26.92% of expenditures were not timely certified.

Contrary to Ohio Revised Code Section 5705.10, the police fund had a negative cash balance.

Contrary to Ohio Revised Code Section 5705.36(A)(4), certain funds had appropriations in excess of actual resources.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**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 cash balances, receipts, and disbursements by fund type of the Village of Danville, Knox County, Ohio, as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated May 18, 2019, wherein we noted the Village of Danville followed financial reporting provisions of 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 of Danville's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village of Danville's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider material weaknesses. We consider findings 2018-001 through 2018-008 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village of Danville'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 disclosed in the accompanying schedule of findings and responses as items 2018-002 through 2018-008.

Village of Danville's Responses to Findings

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

Purpose of this Report

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



Julian & Grube, Inc.
May 18, 2019

VILLAGE OF DANVILLE
KNOX COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2018-001

Material Weakness - Financial Statement Presentation:

Accurate financial reporting is required in order to provide management and citizens with objective and timely information to enable well-informed decisions.

Certain adjustments were made to the financial statements and notes to the financial statements to properly state financial statement amounts.

The audited financial statements and Village records have been adjusted for the misstatements identified during the audit.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We recommend the Village consult with their auditors, the Village Handbook, the Auditor of State and/or Ohio Municipal League to help ensure accurate financial reporting.

Client Response: The Fiscal Officer will work to provide a sound fiscal environment for the Village and has implemented additional policies and procedures to help with financial statement presentation.

Finding Number	2018-002
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Material Weakness/Noncompliance

Ohio Revised Code Sections 5705.36, in part, requires Fiscal Officers to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Village's appropriations exceeded its estimated resources throughout the year.

The Village had appropriations exceeding its resources during the year which could lead to spending monies not collected or expected to be collected, and thus could lead to a negative fund balance.

We recommend the Village evaluate its certified estimated resources prior to modifying/approving appropriations to ensure appropriations are less than or equal to certified estimated resources.

Client Response: The Village will attempt to monitor its estimated revenues and appropriations more closely and will request amended certificates as needed.

**VILLAGE OF DANVILLE
KNOX COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2018**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2018-003

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.39 in part requires that total appropriations from each fund should not exceed total estimated resources.

The Village had appropriations in excess of estimated resources in the following funds:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Special Revenue Funds:</u>			
Street Fund	\$ 50,020	\$ 54,270	\$ 4,250
Police Fund	186,719	306,718	119,999
DARE Fund	-	1,200	1,200
 <u>Debt Service Fund:</u>			
Debt Service Fund	-	1,534	1,534

With appropriations exceeding estimated resources, the Village is appropriating monies that are not in the Treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause disbursements in excess of resources and cause a deficit fund balance.

We recommend the Village comply with the Ohio Revised Code by monitoring appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continual basis and amending estimated resources or appropriations as necessary.

Client Response: The Fiscal Officer will attempt to update estimated revenues on a more timely basis.

**VILLAGE OF DANVILLE
KNOX COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2018**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2018-004

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

The Village had disbursements exceeding appropriations in the following funds:

	<u>Appropriations</u>	<u>Disbursements</u>	<u>Excess</u>
<u>Special Revenue Funds:</u>			
Perm Tax Fund	\$ 11,416	\$ 37,903	\$ 26,487
School Resource Officer Fund	-	32,603	32,603
DARE Fund	1,200	2,805	1,605
 <u>Capital Projects Fund</u>			
Grant Construction Fund	39,738	129,091	89,353

Disclosure is presented at the fund level due to the practicality of presenting at the legal level.

With disbursements exceeding appropriations, the Village is expending monies that have not been appropriated and approved by the Village Council. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend that the Village comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring disbursements so they do not exceed lawful appropriations and amending the budget prior to year-end. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary, subsequent to the passage of permanent appropriations.

Client Response: The Village is actively seeking to resolve this.

Finding Number	2018-005
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Material Weakness/Noncompliance

Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by Council resolution and comply with the same provisions of the law as used in making the original appropriations.

Adjustments to the budget were made in the Village's system without proper Council approval. Due to these unapproved and unallowable adjustments, disbursements exceeded appropriations in the Perm Tax, School Resource Officer, DARE, and Grant Construction funds throughout the year.

**VILLAGE OF DANVILLE
KNOX COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2018**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2018-005 - (Continued)

By not timely and properly modifying the Village’s appropriations, the Village is not adequately monitoring appropriations versus disbursements. With disbursements exceeding appropriations, overspending may occur which may result in a negative fund balance.

We recommend that the Village comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring disbursements so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary, subsequent to the passage of permanent appropriations.

Client Response: The Village is aware of the requirement for Council approval and is currently implementing additional policies and procedures to have all supplemental appropriations properly approved prior to including in the Village UAN computer system.

Finding Number	2018-006
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Material Weakness/Noncompliance

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

The Village had 26.92% of expenditures that were not timely certified.

Without timely certification, the Village may expend more funds than available in the Treasury, in the process of collection or in the funds appropriated. It may also result in unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. A policy and procedure statement adopted by the Council and distributed at least annually may be beneficial. The Village should consider using “Then” and “Now” certificates where applicable.

Client Response: The Village is continually trying to improve its ordering and purchasing process to decrease its noncompliance percentage.

**VILLAGE OF DANVILLE
KNOX COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2018**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2018-007

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.10 in part requires that on a cash basis, no fund shall have a negative fund balance during the year or at year end. It further requires that money paid into any fund shall be used only for the purposes for which such fund is established.

The Village had the following negative fund balance:

<u>Fund Type/Fund</u>	<u>Negative Fund Balance</u>
<u>Special Revenue Fund:</u>	
Police Fund	\$ 16,570

By having a negative fund balance, these funds have spent other funds' balances. This could indicate insufficient monitoring of appropriations and related expenditures and continual review of cash management. No fund should have a negative cash fund balance throughout the year or at year end.

We recommend the Village properly expend monies only after funds have been received and subsequent to proper appropriation. If funds are anticipated, but not yet received and expenditures are necessary, the Village should advance or transfer funds from the General Fund with proper Council approval. We recommend the Village utilize its accounting software program to its fullest and continually review relevant reports to assist in preventing negative fund balances. Further, we recommend the Village review available guidance or inquire of its auditors to ensure grant funds are properly accounted for in accordance with the purpose of the grant.

Client Response: The Village will monitor fund balances and transfer when necessary.

**VILLAGE OF DANVILLE
KNOX COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2018**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2018-008

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.36 (A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

The Village had appropriations that were greater than actual resources in the following funds:

<u>Fund Type/Fund</u>	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Special Revenue Fund:</u>			
Police Fund	\$ 285,332	\$ 306,718	\$ 21,386
 <u>Debt Service Fund:</u>			
Debt Service Fund	-	1,534	1,534

By appropriating more funds than actual resources, the Village is at risk of spending more money than available; this may result in negative fund balances.

We recommend the Village monitor appropriations in comparison to actual resources and obtain decreased amended appropriations as needed. Further guidance may be found in Auditor of State bulletin 97-010.

Client Response: The Village will monitor appropriations and amend when necessary.

**VILLAGE OF DANVILLE
KNOX COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2017-001	2015	<u>Material Weakness - Financial Statement Presentation</u> - Accurate financial reporting is required in order to provide management and citizens with objective and timely information to enable well-informed decisions. Certain adjustments were made to the financial statements and notes to the financial statements for the year ended December 31, 2017.	Not Corrected	Finding repeated as 2018-001 as transactions were not closely monitored prior to filing the current year report.
2017-002	2015	<u>Material Weakness/Noncompliance</u> - Ohio Revised Code Section 5705.36, requires Fiscal Officers to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. During the year ended December 31, 2017 the Village's appropriations exceeded estimated resources	Not Corrected	Finding repeated as 2018-002 as budgetary expenditures and receipts were not closely monitored during 2018.
2017-003	2015	<u>Material Weakness/Noncompliance</u> - Ohio Revised Code Section 5705.39 requires that total appropriations from each fund should not exceed total estimated sources. The Village had appropriations in excess of estimated resources at December 31, 2017.	Not Corrected	Finding repeated as 2018-003 as budgetary expenditures and receipts were not closely monitored during 2018.
2017-004	2015	<u>Material Weakness/Noncompliance</u> - Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. The Village had disbursements exceeding appropriations at December 31, 2017.	Not Corrected	Finding repeated as 2018-004 as budgetary expenditures and actual expenditures were not closely monitored during 2018.
2017-005	2015	<u>Material Weakness/Noncompliance</u> - Ohio Revised Code Section 5705.40 requires that any amendments to an appropriation measure be made by Council resolution and comply with the same provisions of the law as used in making the original appropriations. Adjustments to the budget were made in the Village's system without proper Council approval and disbursements exceeded appropriations throughout the year.	Not Corrected	Finding repeated as 2018-005 as budgetary expenditures were not closely monitored during 2018.

**VILLAGE OF DANVILLE
KNOX COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2017-006	2017	<p><u>Material Weakness/Noncompliance</u> - Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The Village had 25% of expenditure that were not timely certified for the year ended December 31, 2017.</p>	Not Corrected	Finding repeated as 2018-006 as expenditures were not timely certified during 2018.

OHIO AUDITOR OF STATE
KEITH FABER



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
SEPTEMBER 5, 2019