

**VILLAGE OF DALTON
WAYNE COUNTY**

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Village Council
Village of Dalton
1 W. Main Street
P.O. Box 493
Dalton, Ohio 44618

We have reviewed the *Independent Accountants' Report* of the Village of Dalton, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Dalton is responsible for compliance with these laws and regulations.

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BETTY MONTGOMERY
Auditor of State

October 19, 2006

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VILLAGE OF DALTON
WAYNE COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2005 and 2004

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INDEPENDENT ACCOUNTANTS' REPORT

Village of Dalton
Wayne County
1 West Main Street
Dalton, Ohio 44618

We have audited the accompanying financial statements of the Village of Dalton (Village), Wayne County, Ohio as and for the years ended December 31, 2005 and 2004. 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. We believe that 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure its financial statement amounts, 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, 2005 and 2004, 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, 2005 and 2004, or its changes in financial position 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 and reserves for encumbrances of the Village of Dalton, Wayne County as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. 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 6, 2006, 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, 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 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.

Charles E. Harris & Associates, Inc.
September 6, 2006

VILLAGE OF DALTON
WAYNE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL AND FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Other Local Taxes	\$ 446,828	-	-	-	\$ 446,828
Intergovernmental Receipts	92,056	\$ 98,613	-	\$ 18,860	209,529
Charges for Services	2,606	13,761	-	-	16,367
Fines, Licenses and Permits	28,232	-	-	-	28,232
Earnings on Investments	7,227	2,415	-	-	9,642
Total Cash Receipts	576,949	114,789	-	18,860	710,598
Cash Disbursements:					
Security of Persons and Property	235,200	790	-	-	235,990
Public Health Services	8,261	7,490	-	-	15,751
Leisure Time Activities	8,463	-	-	-	8,463
Basic Utility Services	1,982	-	-	-	1,982
Transportation	38,930	120,848	-	-	159,778
General Government	81,986	-	-	-	81,986
Capital Outlay	716	-	-	50,215	50,931
Debt Service					
Principal Payments	-	-	\$ 16,700	-	16,700
Interest Payments	-	-	25,741	-	25,741
Total Cash Disbursements	375,538	129,128	42,441	50,215	597,322
Total Receipts Over(Under) Disbursements	201,411	(14,339)	(42,441)	(31,355)	113,276
Other Financing Sources/(Uses)					
Transfers In	-	-	42,441	83,505	125,946
Transfers Out	(125,946)	-	-	-	(125,946)
Other Financing Uses	(2,972)	-	-	-	(2,972)
Total Other Financing Sources/(Uses)	(128,918)	-	42,441	83,505	(2,972)
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	72,493	(14,339)	-	52,150	110,304
Fund Balance January 1, 2005	154,604	86,778	-	475,016	716,398
Fund Balance December 31, 2005	\$ 227,097	\$ 72,439	\$ -	\$ 527,166	\$ 826,702
Reserve for Encumbrances, December 31, 2005	\$ 3,538	\$ 7,218	\$ -	\$ -	\$ 10,756

See accompanying Notes to the Financial Statements.

VILLAGE OF DALTON
WAYNE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCES -
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary Fund Type	Fiduciary Fund Types		Total
	Enterprise	Nonexpendable Trust	Agency	(Memorandum Only)
Operating Cash Receipts:				
Charges for Services	\$ 482,869	-	-	\$ 482,869
Fees, Licenses and Permits	58,120	-	-	58,120
Earnings on Investments	-	\$ 1,094	-	1,094
Miscellaneous	782	-	-	782
Total Operating Cash Receipts	541,771	1,094	-	542,865
Operating Cash Disbursements:				
Personal Services	112,870	-	-	112,870
Fringe Benefits	24,263	-	-	24,263
Contractual Services	94,805	-	-	94,805
Supplies and Materials	43,959	-	-	43,959
Capital Outlay	33,821	-	-	33,821
Total Operating Cash Disbursements	309,718	-	-	309,718
Operating Income (Loss)	232,053	1,094	-	233,147
Non-Operating Cash Receipts/(Disbursements)				
Debt Service				
Principal	(19,762)	-	-	(19,762)
Interest	(57,107)	-	-	(57,107)
Other Financing Sources	-	-	\$ 192	192
Other Financing Uses	-	-	(177)	(177)
Total Non-operating Cash Receipts (Disbursements)	(76,869)	-	15	(76,854)
Net Receipts (Under) Disbursements	155,184	1,094	15	156,293
Fund Cash Balances, January 1, 2005	661,167	57,608	45	718,820
Fund Cash Balances, December 31, 2005	\$ 816,351	\$ 58,702	\$ 60	\$ 875,113
Reserves for Encumbrances, December 31, 2005	\$ 7,850	\$ -	\$ -	\$ 7,850

See accompanying Notes to the Financial Statements.

VILLAGE OF DALTON
WAYNE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Other Local Taxes	\$ 363,661	-	-	\$ 84,775	\$ 448,436
Intergovernmental Receipts	101,309	\$ 128,563	-	969	230,841
Charges for Services	1,495	12,433	-	-	13,928
Fines, Licenses and Permits	31,357	-	-	-	31,357
Earnings on Investments	3,853	1,908	-	-	5,761
Total Cash Receipts	<u>501,675</u>	<u>142,904</u>	<u>-</u>	<u>85,744</u>	<u>730,323</u>
Cash Disbursements:					
Security of Persons and Property	243,821	700	-	-	244,521
Public Health Services	7,833	25,254	-	-	33,087
Leisure Time Activities	7,951	-	-	-	7,951
Basic Utility Services	1,792	-	-	-	1,792
Transportation	40,117	136,631	-	-	176,748
General Government	103,448	-	-	2,834	106,282
Capital Outlay	1,006	-	-	29,222	30,228
Debt Service					
Principal Payments	-	-	\$ 15,800	-	15,800
Interest Payments	-	-	26,646	-	26,646
Total Cash Disbursements	<u>405,968</u>	<u>162,585</u>	<u>42,446</u>	<u>32,056</u>	<u>643,055</u>
Total Receipts Over(Under) Disbursements	95,707	(19,681)	(42,446)	53,688	87,268
Other Financing Sources/(Uses)					
Transfers In	-	10,000	42,425	-	52,425
Transfers Out	(52,425)	-	-	-	(52,425)
Advances In	-	-	-	50,000	50,000
Advances Out	(50,000)	-	-	-	(50,000)
Other Financing Sources	-	-	-	1,582	1,582
Other Financing Uses	(5,825)	-	-	(1,942)	(7,767)
Total Other Financing Sources/(Uses)	<u>(108,250)</u>	<u>10,000</u>	<u>42,425</u>	<u>49,640</u>	<u>(6,185)</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(12,543)	(9,681)	(21)	103,328	81,083
Fund Balance January 1, 2004	<u>167,147</u>	<u>96,459</u>	<u>21</u>	<u>371,688</u>	<u>635,315</u>
Fund Balance December 31, 2004	<u>\$ 154,604</u>	<u>\$ 86,778</u>	<u>\$ -</u>	<u>\$ 475,016</u>	<u>\$ 716,398</u>
Reserve for Encumbrances, December 31, 2004	<u>\$ 3,724</u>	<u>\$ 4,982</u>	<u>\$ -</u>	<u>\$ 6,500</u>	<u>\$ 15,206</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF DALTON
WAYNE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCES -
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary Fund Type	Fiduciary Fund Types		Total
	Enterprise	Nonexpendable Trust	Agency	(Memorandum Only)
Operating Cash Receipts:				
Charges for Services	\$ 492,953	-	-	\$ 492,953
Fees, Licenses and Permits	14,300	-	-	14,300
Earnings on Investments	-	\$ 1,661	-	1,661
Miscellaneous	58	-	-	58
Total Operating Cash Receipts	507,311	1,661	-	508,972
Operating Cash Disbursements:				
Personal Services	113,719	-	-	113,719
Fringe Benefits	5,573	-	-	5,573
Contractual Services	88,143	-	-	88,143
Supplies and Materials	68,230	1,818	-	70,048
Capital Outlay	11,771	-	-	11,771
Total Operating Cash Disbursements	287,436	1,818	-	289,254
Operating Income (Loss)	219,875	(157)	-	219,718
Non-Operating Cash Receipts/(Disbursements)				
Intergovernmental Receipts	1,756	-	-	1,756
Debt Service				
Principal	(18,762)	-	-	(18,762)
Interest	(57,969)	-	-	(57,969)
Other Financing Sources	-	-	\$ 137	137
Other Financing Uses	-	-	(122)	(122)
Total Non-Operating Cash Receipts/(Disbursements)	(74,975)	-	15	(74,960)
Net Receipts (Under) Disbursements	144,900	(157)	15	144,758
Fund Cash Balances, January 1, 2004	516,267	57,765	30	574,062
Fund Cash Balances, December 31, 2004	\$ 661,167	\$ 57,608	\$ 45	\$ 718,820
Reserves for Encumbrances, December 31, 2004	\$ 39,865	\$ -	\$ -	\$ 39,865

See accompanying Notes to the Financial Statements.

VILLAGE OF DALTON
WAYNE COUNTY, OHIO

Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Dalton, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected, six-member Council. The Village provides general governmental services including water and sewer utilities, park operations (leisure time activities), and police protection. The Village contracts with Dalton Volunteer Fire Department to provide fire protection services.

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

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed by the Auditor of State.

C. INVESTMENTS AND INACTIVE FUNDS

The Village maintains cash in an interest-bearing checking account.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains and losses at the time of the sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

1. General Fund

The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

VILLAGE OF DALTON
WAYNE COUNTY, OHIO

Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING - (continued)

2. Special Revenue Funds

To account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Village had the following significant Special Revenue Fund:

Street Fund – This fund receives gasoline and motor vehicle tax money for construction, maintenance and repairing of Village streets.

3. Debt Service Funds

This fund is used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Fund:

General Obligation Fund – This fund is used to accumulate resources for payment of the Series 2001 Various Purpose Bonds.

4. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Capital Improvement Fund – This fund is used for purchasing capital equipment for the Board of Public Affairs, Street Department and general government.

5. Enterprise Funds

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

Water Fund- This fund receives charges for services from residents to cover the cost of providing the utility.

Sewer Fund- This fund receives charges for services from residents to cover the cost of providing the utility.

VILLAGE OF DALTON
WAYNE COUNTY, OHIO

Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING - (continued)

6. Fiduciary Fund

Trust Funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

Cemetery Endowment Fund- This nonexpendable trust fund is set up to provide general maintenance to the Village cemetery.

Mayor's Court Agency Fund- This fund receives fines and forfeitures for the Mayor's Court to be distributed to the Village and the State of Ohio. However, the Mayor's Court was dissolved in 1999 and the only activity results from prior court fines, which are still in the process of being collected.

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 level of control and appropriations may not exceed estimated resources. Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered balances 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 commitments are made. Encumbrances outstanding at year-end are carried over carried over, and need not be reappropriated.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**VILLAGE OF DALTON
WAYNE COUNTY, OHIO**

**Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand Deposits	\$1,443,815	\$ 1,180,218
Certificates of Deposit	258,000	255,000
Total	\$1,701,815	\$ 1,435,218

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 is as follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 537,840	\$ 576,949	\$ 39,109
Special Revenue	176,000	114,789	(61,211)
Debt Service	43,000	42,441	(559)
Capital Projects	110,000	102,365	(7,635)
Enterprise	533,000	541,771	8,771
Nonexpendable Trust	5,000	1,094	(3,906)
Total	\$ 1,404,840	\$ 1,379,409	\$ (25,431)

**VILLAGE OF DALTON
WAYNE COUNTY, OHIO**

**Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

3. BUDGETARY ACTIVITY - (continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 692,444	\$ 507,994	\$ 184,450
Special Revenue	262,778	136,346	126,432
Debt Service	43,000	42,441	559
Capital Projects	585,016	50,215	534,801
Enterprise	1,194,167	394,437	799,730
Nonexpendable Trust	62,608	0	62,608
Total	\$ 2,840,013	\$ 1,131,433	\$ 1,708,580

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 507,162	\$ 501,675	\$ (5,487)
Special Revenue	192,500	152,904	(39,596)
Debt Service	43,000	42,425	(575)
Capital Projects	176,000	137,326	(38,674)
Enterprise	532,999	509,067	(23,932)
Nonexpendable Trust	5,000	1,661	(3,339)
Total	\$ 1,456,661	\$ 1,345,058	\$ (111,603)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 610,125	\$ 517,942	\$ 92,183
Special Revenue	284,119	167,567	116,552
Debt Service	43,020	42,446	574
Capital Projects	547,687	40,498	507,189
Enterprise	1,049,268	404,032	645,236
Nonexpendable Trust	60,947	1,818	59,129
Total	\$ 2,595,166	\$ 1,174,303	\$ 1,420,863

VILLAGE OF DALTON
WAYNE COUNTY, OHIO

Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

4. PROPERTY TAXES

Real property becomes a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State and are reflected in the accompanying financial statements as Intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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 on the property owners, who must file a list of such property to the County by each April 30.

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

5. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are a cost sharing, multiple-employer plans. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2005, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries during the year. The Village has paid all contributions required through December 31, 2005.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2005, OP&F members contributed 10% of their wages. The Village contributed an amount equal to 19.5% and 24% respectively for police officers and firefighters of participants' gross salaries during the year. The Village has paid all contributions required through December 31, 2005.

6. 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 corporate limits as well as certain income of residents earned outside the Village corporate limits.

Employers within the Village withhold income tax on employee compensation and remit tax to the Village either monthly, quarterly or as required. Corporation and individual taxpayers pay estimated taxes quarterly and file a declaration annually.

In 2005, the Village reclassified the way it handles income tax receipts. Income tax receipts are now receipted into the General fund. Twenty-five percent is transferred every year into the Capital Improvement Fund per Village Ordinance.

**VILLAGE OF DALTON
WAYNE COUNTY, OHIO**

**Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

7. DEBT

Debt outstanding at December 31, 2005, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2003 OPWC Loan	\$ 97,950	0.000%
2001 Various Purpose Bonds	443,000	6.625%
1989 Mortgage Revenue Bonds	<u>848,000</u>	5.650%
Total	<u><u>\$ 1,388,950</u></u>	

The 2003 OPWC (Ohio Public Works Commission) loan is a no interest loan that was obtained to improve the Freet Street Sanitary Sewer. The loan will be paid in semi-annual installments over 20 years.

The 2001 Various Purpose Bonds are comprised of three outstanding bonds in the amounts of \$185,000, \$169,000 and \$150,500 to improve Main and Mill Streets, acquisition of a building to house municipal offices. These bonds will be paid in semi-annual installments over 10 years.

The 1989 Mortgage Revenue Bonds were issued to fund improvements to the Municipal Sanitary Sewer System. These bonds will be paid in semi-annual installments over 40 years. The Village is required to adjust rates and charges for the services and facilities of its sanitary sewer in the amounts sufficient to pay these bonds.

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

	<u>OPWC</u>	<u>various Purpose Bonds</u>	<u>Mortgage Revenue Bonds</u>
Year ending December 31:			
2006	\$ 5,762	\$ 42,384	\$ 71,180
2007	5,762	42,475	71,186
2008	5,762	42,405	71,126
2009	5,762	42,475	72,000
2010	5,762	42,377	71,741
Subsequent	<u>69,140</u>	<u>466,687</u>	<u>1,361,434</u>
Total	<u><u>\$ 97,950</u></u>	<u><u>\$ 678,803</u></u>	<u><u>\$1,718,667</u></u>

VILLAGE OF DALTON
WAYNE COUNTY, OHIO

Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

8. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan, an unincorporated non-profit association over 600 government entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverage and reinsures these coverage's 100% rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Village also provides health insurance coverage to full-time employees through the Wayne County Commissioners' Office.

9. LEGAL COMPLIANCE

Contrary to Ohio Revised Code Section 5705.41 (D), certain expenditures were not certified prior to a commitment or obligation being incurred.

10. FUND TRANSFERS

In 2005, the City transferred out from the General Fund \$42,441 to the General Obligation Bond Fund for payment of bond principal and interest. The City also transferred out \$83,505 from the General Fund to the Capital Improvement Fund per Village Ordinance.

In 2004, the City transferred out from the General Fund \$42,425 to the General Obligation Bond Fund for payment of bond principal and interest. The City also transferred out \$10,000 from the General Fund to the Cemetery Fund for maintenance of the Village cemetery.

All applicable Ohio Revised Code compliance requirements were met.

11. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no material pending claims or lawsuits.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members
of Village Council
Village of Dalton, Wayne County
Dalton, Ohio

We have audited the financial statements of the Village of Dalton, Wayne County, Ohio (Village) as of and for the years ended December 31, 2005 & 2004, and have issued our report thereon dated September 6, 2006, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 6, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the Schedule of Findings as 2005-VDWC-01.

We also noted certain immaterial instances of noncompliance that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 6, 2006.

This report is intended solely for the information and use of the audit committee, management and the Village Council and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.

September 6, 2006

VILLAGE OF DALTON
WAYNE COUNTY

SCHEDULE OF FINDINGS
December 31, 2005 and 2004

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

FINDING NUMBER 2005-VDWC-01 – Non-compliance Citation

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any 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.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving 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.

1. "Then and Now Certificates" – If the fiscal officer can certify that both at the time that contract or order was made ("then") and at the time that the fiscal officer was completing the certification ("now"), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for 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 Village.

2. Blanket Certificates - Fiscal officers may prepare "blanket" certificates for a certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of members of the legislative authority against any specific line item amount 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 Certificates – The Village may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession 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.

VILLAGE OF DALTON
WAYNE COUNTY

SCHEDULE OF FINDINGS - CONTINUED
December 31, 2005 and 2004

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED</p>

The Village did not make the proper certification of funds in all instances. Thirty-five of 60 selections tested had the certifications after the obligation date during the audit period. We recommend that the Village institute the use of purchase orders for any expenditure to be made and certify expenditures prior to incurring the liability. In instances where prior certification is not practical, we recommend the issuance of a "Then and Now" certificate.

Management will attempt to certify funds prior to the purchase.

**VILLAGE OF DALTON
WAYNE COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2005 and 2004**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-001	Ohio Revised Code Section 5705.41 (D)- Proper certification of funds prior to disbursement	No	Not Corrected-See Finding 2005-VDWC- 01
2003-002	Ohio Revised Code Section 5705.131- Improper Allocation of Interest	Yes	Fully corrected



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VILLAGE OF DALTON

WAYNE 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 9, 2006**