

**VILLAGE OF DALTON  
WAYNE COUNTY**

**AUDIT REPORT**

**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Dalton  
1 West 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, 2006 through December 31, 2007. 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

September 11, 2008

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**VILLAGE OF DALTON**  
**WAYNE COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2007 and 2006**

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## **INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Dalton (Village), Wayne County, Ohio as and for the years ended December 31, 2007 and 2006. 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, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2007 and 2006. 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, 2007 and 2006, 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, 2007 and 2006, or its changes in financial position or cash flows 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, 2007 and 2006, 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, 2007 and 2006. 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 July 29, 2008, 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.***  
July 29, 2008



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, 2007

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
<b>Cash Receipts:</b>						
Property and Other Local Taxes	\$ 485,725	-	-	-	-	\$ 485,725
Intergovernmental Receipts	119,774	\$ 93,793	-	\$ 40,899	-	254,466
Charges for Services	1,461	10,625	-	-	-	12,086
Fines, Licenses and Permits	35,465	-	-	-	-	35,465
Earnings on Investments	7,343	2,732	-	-	\$ 1,125	11,200
Miscellaneous	1,500	-	-	-	-	1,500
<b>Total Cash Receipts</b>	<u>651,268</u>	<u>107,150</u>	<u>-</u>	<u>40,899</u>	<u>1,125</u>	<u>800,442</u>
<b>Cash Disbursements:</b>						
Security of Persons and Property	267,324	2,300	-	-	-	269,624
Public Health Services	8,310	12,669	-	-	-	20,979
Leisure Time Activities	7,993	-	-	-	-	7,993
Basic Utility Services	2,799	-	-	-	-	2,799
Transportation	42,632	110,801	-	-	-	153,433
General Government	95,835	-	-	-	-	95,835
Capital Outlay	5,632	-	-	489,353	-	494,985
<b>Debt Service</b>						
Principal Payments	-	-	\$ 121,525	6,250	-	127,775
Interest Payments	-	-	20,950	-	-	20,950
<b>Total Cash Disbursements</b>	<u>430,525</u>	<u>125,770</u>	<u>142,475</u>	<u>495,603</u>	<u>-</u>	<u>1,194,373</u>
<b>Total Receipts Over(Under) Disbursements</b>	220,743	(18,620)	(142,475)	(454,704)	1,125	(393,931)
<b>Other Financing Sources/(Uses)</b>						
Proceeds of OPWC Loan	-	-	-	99,999	-	99,999
Transfers In	-	-	143,000	209,713	-	352,713
Transfers Out	(352,713)	-	-	-	-	(352,713)
Other Financing Uses	(3,494)	-	-	-	-	(3,494)
<b>Total Other Financing Sources/(Uses)</b>	<u>(356,207)</u>	<u>-</u>	<u>143,000</u>	<u>309,712</u>	<u>-</u>	<u>96,505</u>
<b>Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses</b>	(135,464)	(18,620)	525	(144,992)	1,125	(297,426)
<b>Fund Balance January 1, 2007</b>	<u>320,131</u>	<u>82,389</u>	<u>-</u>	<u>429,467</u>	<u>60,963</u>	<u>892,950</u>
<b>Fund Balance December 31, 2007</b>	<u>\$ 184,667</u>	<u>\$ 63,769</u>	<u>\$ 525</u>	<u>\$ 284,475</u>	<u>\$ 62,088</u>	<u>\$ 595,524</u>
<b>Reserve for Encumbrances, December 31, 2007</b>	<u>\$ 5,596</u>	<u>\$ 2,338</u>	<u>\$ -</u>	<u>\$ 21,000</u>	<u>\$ -</u>	<u>\$ 28,934</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 FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Proprietary Fund Types	Fiduciary Fund Type	Total - (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 507,369	-	\$ 507,369
Fees, Licenses and Permits	68,674	-	68,674
Miscellaneous	5,602	-	5,602
<b>Total Operating Cash Receipts</b>	<b>581,645</b>	<b>-</b>	<b>581,645</b>
<b>Operating Cash Disbursements:</b>			
Personal Services	89,148	-	89,148
Transportation	3,222	-	3,222
Contractual Services	116,357	-	116,357
Supplies and Materials	107,802	-	107,802
Capital Outlay	1,440,795	-	1,440,795
<b>Total Operating Cash Disbursements</b>	<b>1,757,324</b>	<b>-</b>	<b>1,757,324</b>
<b>Operating Income (Loss)</b>	<b>(1,175,679)</b>	<b>-</b>	<b>(1,175,679)</b>
<b>Non-Operating Cash Receipts/(Disbursements)</b>			
Intergovernmental Receipts	135,599	-	135,599
OWDA Loan	1,265,685	-	1,265,685
Debt Service			
Principal	(172,857)	-	(172,857)
Interest	(50,234)	-	(50,234)
Other Financing Sources	-	\$ 319	319
Other Financing Uses	-	(319)	(319)
<b>Total Non-operating Cash Receipts (Disbursements)</b>	<b>1,178,193</b>	<b>-</b>	<b>(223,091)</b>
<b>Net Receipts (Under) Disbursements</b>	<b>2,514</b>	<b>-</b>	<b>2,514</b>
<b>Fund Cash Balances, January 1, 2007</b>	<b>827,589</b>	<b>-</b>	<b>827,589</b>
<b>Fund Cash Balances, December 31, 2007</b>	<b>\$ 830,103</b>	<b>\$ -</b>	<b>\$ 830,103</b>
<b>Reserves for Encumbrances, December 31, 2007</b>	<b>\$ 7,545</b>	<b>\$ -</b>	<b>\$ 7,545</b>

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, 2006

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
<b>Cash Receipts:</b>						
Property and Other Local Taxes	\$ 465,656	-	-	-	-	\$ 465,656
Intergovernmental Receipts	128,265	\$ 116,127	-	\$ 109,929	-	354,321
Charges for Services	1,372	10,263	-	-	-	11,635
Fines, Licenses and Permits	38,085	-	-	-	-	38,085
Earnings on Investments	10,725	2,144	-	-	\$ 2,261	15,130
Miscellaneous	3,500	-	-	-	-	3,500
<b>Total Cash Receipts</b>	<u>647,603</u>	<u>128,534</u>	<u>-</u>	<u>109,929</u>	<u>2,261</u>	<u>888,327</u>
<b>Cash Disbursements:</b>						
Security of Persons and Property	248,517	2,105	-	-	-	250,622
Public Health Services	8,638	11,833	-	-	-	20,471
Leisure Time Activities	9,548	-	-	-	-	9,548
Basic Utility Services	2,877	-	-	-	-	2,877
Transportation	40,361	104,646	-	-	-	145,007
General Government	103,905	-	-	-	-	103,905
Capital Outlay	4,689	-	-	310,382	-	315,071
<b>Debt Service</b>						
Principal Payments	-	-	\$ 17,600	-	-	17,600
Interest Payments	-	-	24,784	-	-	24,784
<b>Total Cash Disbursements</b>	<u>418,535</u>	<u>118,584</u>	<u>42,384</u>	<u>310,382</u>	<u>-</u>	<u>889,885</u>
<b>Total Receipts Over(Under) Disbursements</b>	229,068	9,950	(42,384)	(200,453)	2,261	(1,558)
<b>Other Financing Sources/(Uses)</b>						
Transfers In	-	-	42,384	87,445	-	129,829
Transfers Out	(129,829)	-	-	-	-	(129,829)
Other Financing Sources	-	-	-	15,309	-	15,309
Other Financing Uses	(6,205)	-	-	-	-	(6,205)
<b>Total Other Financing Sources/(Uses)</b>	<u>(136,034)</u>	<u>-</u>	<u>42,384</u>	<u>102,754</u>	<u>-</u>	<u>9,104</u>
<b>Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses</b>	93,034	9,950	-	(97,699)	2,261	7,546
<b>Fund Balance January 1, 2006</b>	<u>227,097</u>	<u>72,439</u>	<u>-</u>	<u>527,166</u>	<u>58,702</u>	<u>885,404</u>
<b>Fund Balance December 31, 2006</b>	<u>\$ 320,131</u>	<u>\$ 82,389</u>	<u>\$ -</u>	<u>\$ 429,467</u>	<u>\$ 60,963</u>	<u>\$ 892,950</u>
<b>Reserve for Encumbrances, December 31, 2006</b>	<u>\$ 3,586</u>	<u>\$ 3,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,806</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 FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Proprietary Fund Types	Fiduciary Fund Type	Total - (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 483,557	-	\$ 483,557
Fees, Licenses and Permits	12,700	-	12,700
Miscellaneous	3,810	-	3,810
<b>Total Operating Cash Receipts</b>	<b>500,067</b>	<b>-</b>	<b>500,067</b>
<b>Operating Cash Disbursements:</b>			
Personal Services	120,222	-	120,222
Transportation	4,567	-	4,567
Contractual Services	112,649	-	112,649
Supplies and Materials	66,204	-	66,204
Capital Outlay	1,700,023	-	1,700,023
<b>Total Operating Cash Disbursements</b>	<b>2,003,665</b>	<b>-</b>	<b>2,003,665</b>
<b>Operating Income (Loss)</b>	<b>(1,503,598)</b>	<b>-</b>	<b>(1,503,598)</b>
<b>Non-Operating Cash Receipts/(Disbursements)</b>			
Proceeds of OWDA Loan	1,676,778	-	1,676,778
Debt Service			
Principal	(105,762)	-	(105,762)
Interest	(56,180)	-	(56,180)
Other Financing Sources	-	\$ 559	559
Other Financing Uses	-	(619)	(619)
<b>Total Non-Operating Cash Receipts/(Disbursements)</b>	<b>1,514,836</b>	<b>(60)</b>	<b>1,514,776</b>
<b>Net Receipts (Under) Disbursements</b>	<b>11,238</b>	<b>(60)</b>	<b>11,178</b>
<b>Fund Cash Balances, January 1, 2006</b>	<b>816,351</b>	<b>60</b>	<b>816,411</b>
<b>Fund Cash Balances, December 31, 2006</b>	<b>\$ 827,589</b>	<b>\$ -</b>	<b>\$ 827,589</b>
<b>Reserves for Encumbrances, December 31, 2006</b>	<b>\$ 9,948</b>	<b>\$ -</b>	<b>\$ 9,948</b>

See accompanying Notes to the Financial Statements.

VILLAGE OF DALTON  
WAYNE COUNTY, OHIO

Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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 and certificates of deposit.

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:

VILLAGE OF DALTON  
WAYNE COUNTY, OHIO

Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING - (continued)

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.

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 Bond 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.

*Issue II Fund* – This fund is used for grants and loans for various projects around the Village.

5. Permanent Fund

This fund is used to account for contributions to the Village whereby it can spend the earnings on its own programs but it has to maintain the corpus of the trust. The Village had the following significant Permanent Fund:

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

VILLAGE OF DALTON  
WAYNE COUNTY, OHIO

Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING - (continued)

6. 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.

7. Fiduciary Funds

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

*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.

VILLAGE OF DALTON  
WAYNE COUNTY, OHIO

Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS – (continued)

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 2007 and 2006 budgetary activity appears in Note 3.

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:

	<u>2007</u>	<u>2006</u>
Demand Deposits	\$1,165,627	\$1,520,539
Certificates of Deposit	260,000	200,000
Total	<u>\$1,425,627</u>	<u>\$1,720,539</u>

*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.



VILLAGE OF DALTON  
WAYNE COUNTY, OHIO

Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 is as follows:

<b>2007 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 606,974	\$ 651,268	\$ 44,294
Special Revenue	165,999	107,150	(58,849)
Debt Service	143,000	143,000	0
Capital Projects	356,500	350,611	(5,889)
Permanent	0	1,125	1,125
Enterprise	2,763,000	1,982,929	(780,071)
<b>Total</b>	<b>\$ 4,035,473</b>	<b>\$ 3,236,083</b>	<b>\$(799,390)</b>

<b>2007 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 923,219	\$ 792,328	\$ 130,891
Special Revenue	245,169	128,108	117,061
Debt Service	143,000	142,475	525
Capital Projects	781,030	516,603	264,427
Permanent	60,963	0	60,963
Enterprise	3,580,640	1,987,960	1,592,680
<b>Total</b>	<b>\$ 5,734,021</b>	<b>\$ 3,567,474</b>	<b>\$ 2,166,547</b>

<b>2006 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 572,185	\$ 647,603	\$ 75,418
Special Revenue	149,001	128,534	(20,467)
Debt Service	43,000	42,384	(616)
Capital Projects	336,250	212,683	(123,567)
Permanent	4,000	2,261	(1,739)
Enterprise	3,624,000	2,176,845	(1,447,155)
<b>Total</b>	<b>\$ 4,728,436</b>	<b>\$ 3,210,310</b>	<b>\$(1,518,126)</b>

VILLAGE OF DALTON  
WAYNE COUNTY, OHIO

Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

3. BUDGETARY ACTIVITY - (continued)

<b>2006 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
<b>General</b>	<b>\$ 795,744</b>	<b>\$ 558,155</b>	<b>\$ 237,589</b>
<b>Special Revenue</b>	<b>214,222</b>	<b>121,804</b>	<b>92,418</b>
<b>Debt Service</b>	<b>43,000</b>	<b>42,384</b>	<b>616</b>
<b>Capital Projects</b>	<b>863,416</b>	<b>310,382</b>	<b>553,034</b>
<b>Permanent</b>	<b>62,702</b>	<b>0</b>	<b>62,702</b>
<b>Enterprise</b>	<b>4,432,500</b>	<b>2,175,555</b>	<b>2,256,945</b>
<b>Total</b>	<b>\$ 6,411,584</b>	<b>\$ 3,208,280</b>	<b>\$ 3,203,304</b>

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 2006, OPERS members contributed 9% of their salaries. The Village contributed an amount equal to 13.7% of participants' gross salaries. In 2007, OPERS member employees contributed 9.5% while the Village contributed 13.85%. The Village has paid all contributions required through December 31, 2007.

VILLAGE OF DALTON  
WAYNE COUNTY, OHIO

Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

5. RETIREMENT SYSTEMS – (continued)

For 2006 and 2007, OP&F members contributed 10% of their wages. The Village contributed an amount equal to 19% and 24%, respectively, for police officers and firefighters of participants' gross salaries during 2006 and 2007. The Village has paid all contributions required through December 31, 2007.

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.

Income tax receipts are now receipted into the General fund. Twenty-five percent was transferred into the Capital Improvement Fund per Village Ordinance in 2006. In 2007, the Village revised its Ordinance stating that 30% of income tax receipts be transferred to the Capital Improvement Fund.

7. DEBT

Debt outstanding at December 31, 2007, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
<b>2003 OPWC Loan</b>	<b>\$ 86,426</b>	<b>0.000%</b>
<b>2001 Various Purpose Bonds</b>	<b>303,875</b>	<b>6.625%</b>
<b>1989 Mortgage Revenue Bonds</b>	<b>732,000</b>	<b>5.650%</b>
<b>OWDA Loan #4512</b>	<b>2,791,367</b>	<b>0.000%</b>
<b>2007 OPWC Loan</b>	<b>93,750</b>	<b>0.000%</b>
<b>Total</b>	<b><u>\$ 4,007,418</u></b>	

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.

**VILLAGE OF DALTON  
WAYNE COUNTY, OHIO**

**Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006**

**7. DEBT – (continued)**

The OWDA Loan #4512 is a no interest loan that was obtained for the planning, design and construction of waste water facilities and water pollution control. The loan will be paid in semi-annual installments over 20 years.

The 2007 OPWC Loan is a no interest loan that was obtained for the Henry Street improvements. The loan will be paid in semi-annual installments over 8 years.

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

<b>Year ending December 31:</b>	<b>2003 OPWC</b>	<b>various Purpose Bonds</b>	<b>mortgage Revenue Bonds</b>	<b>OWDA Loan</b>	<b>2007 OPWC</b>
<b>2008</b>	<b>\$ 5,762</b>	<b>\$ 60,889</b>	<b>\$ 71,126</b>	<b>\$ 151,095</b>	<b>\$ 12,500</b>
<b>2009</b>	<b>5,762</b>	<b>35,252</b>	<b>72,000</b>	<b>151,095</b>	<b>12,500</b>
<b>2010</b>	<b>5,762</b>	<b>35,155</b>	<b>71,741</b>	<b>151,095</b>	<b>12,500</b>
<b>2011</b>	<b>5,762</b>	<b>35,195</b>	<b>71,416</b>	<b>151,095</b>	<b>12,500</b>
<b>2012</b>	<b>5,762</b>	<b>35,158</b>	<b>72,025</b>	<b>151,094</b>	<b>12,500</b>
<b>Subsequent</b>	<b>57,616</b>	<b>199,071</b>	<b>1,126,887</b>	<b>2,035,893</b>	<b>31,250</b>
<b>Total</b>	<b>\$ 86,426</b>	<b>\$ 400,720</b>	<b>\$1,485,195</b>	<b>\$2,791,367</b>	<b>\$ 93,750</b>

**8. RISK MANAGEMENT**

The Village belongs to the Ohio Government Risk Management Plan (the “Plan”), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments (“Members”).

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 issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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, the responsibility of the Plan.

VILLAGE OF DALTON  
WAYNE COUNTY, OHIO

Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

8. **RISK MANAGEMENT** – (continued)

Settlement amounts did not exceed insurance coverage for the past three fiscal years. Also, coverages were not reduced from the prior year.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005 (the latest information available):

	<u>2006</u>	<u>2005</u>
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Members' Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

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. Also contrary to Ohio Revised Code Section 5705.36(A)(2), the Village did not amend certificates of estimated resources as necessary.

10. **FUND TRANSFERS**

In 2007, the Village transferred out from the General Fund \$143,000 to the Debt Service: General Obligation Bond Fund for payment of bond principal and interest. The Village also transferred out \$209,713 from the General Fund to the Capital Improvement Fund per Village Ordinance for income taxes and to subsidize improvements.

In 2006, the City transferred out from the General Fund \$42,384 to the Debt Service: General Obligation Bond Fund for payment of bond principal and interest. The Village also transferred out \$87,445 from the General Fund to the Capital Improvement Fund per Village Ordinance for income taxes.

All applicable Ohio Revised Code compliance requirements were met.

VILLAGE OF DALTON  
WAYNE COUNTY, OHIO

Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

11. RESTATEMENT OF FUND BALANCE

	<u>12/31/05 Fund Balance</u>		<u>Restatement</u>		<u>Restated Fund Balance 1/1/06</u>
Fiduciary Fund:					
Non-Expendable Trust	\$ 58,702	\$	(58,702)	\$	0
Governmental Fund Type:					
Permanent Fund	0		58,702		58,702

The restatement was done to comply with the Auditor of State requirement stated in Bulletin 2005-005. Bulletin 2005-005 states that local governments that prepare non-GAAP, cash-basis financial statements will be required to reclassify their nonexpendable and expendable trust funds as part of the governmental fund or private purpose trust categories effective January 1, 2006.

12. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no material pending claims or lawsuits.

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Office phone - (216) 575-1630  
Fax - (216) 436-2411

***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**

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

To the Members of Village Council:

We have audited the financial statements of the Village of Dalton, Wayne County, Ohio (Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 29, 2008, wherein we noted the Village followed accounting practices prescribed or permitted by the Auditor of State of Ohio. 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 *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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we have identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiency described in the accompanying schedule of findings, item 2007-VDWC-02 to be significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above to be a material weakness.

#### 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2007-VDWC-01, 02 and 03.

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

We noted certain matters that we have reported to management of the Village in a separate letter dated July 29, 2008.

This report is intended for the information and use of management, the audit committee 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 & Associates, Inc.***  
July 29, 2008



VILLAGE OF DALTON  
WAYNE COUNTY

SCHEDULE OF FINDINGS  
December 31, 2007 and 2006

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

**FINDING NUMBER 2007-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, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED</b>
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**FINDING NUMBER 2007-VDWC-01 – Non-compliance Citation – (continued)**

The Village did not make the proper certification of funds in all instances. Thirty-nine 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.

**FINDING NUMBER 2007- VDWC -02: Noncompliance and Material Weakness**

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

The Village Officers' Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

During 2006 and 2007, the Village loan from OWDA included receipts of \$43,472 and \$65,904. The Village posted these receipts as Intergovernmental. These were reclassified as proceeds of OWDA loans.

In 2007, the Village obtained a \$99,999 loan from OPWC which was posted as Intergovernmental. This was reclassified as proceeds of OPWC loans.

The Clerk-Treasurer agrees and will properly post loan receipts in the correct fund and account in the future.

**FINDING NUMBER 2007-VDWC-03 – Noncompliance**

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

The Village had estimated receipts greater than actual receipts in several funds to an extent by which the shortage of actual compared to estimated receipts could reduce the total estimated resources to an amount lower than the appropriations. The funds whose estimated receipts were greater than actual receipts were:

**VILLAGE OF DALTON  
WAYNE COUNTY**

**SCHEDULE OF FINDINGS - CONTINUED  
December 31, 2007 and 2006**

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

**FINDING NUMBER 2007-VDWC-03 – Noncompliance – (continued)**

<u>2007:</u>	Special Revenue Funds:		
	Street Fund	\$	(2,927)
	State Highway		(325)
	Cemetery		(4,374)
	\$5 License		(50,000)
	Law Enforcement & Education		(575)
	Motor Vehicle License		(648)
	Capital Projects Fund: Issue II		(9,102)
	Enterprise Funds:		
	Water		(21,220)
	Sewer		(87,814)
	Sewer Improvement		(670,577)
	Sewer Bond Retirement		(460)
<u>2006:</u>	Special Revenue Funds:		
	\$5 License		(40,000)
	Law Enforcement & Education		(76)
	Motor Vehicle License		(3,477)
	Debt Service: General Obligation Bond Fund		(616)
	Capital Projects Fund: Issue II		(140,071)
	Enterprise Funds:		
	Water		(41,830)
	Sewer		(60,643)
	Sewer Improvement		(1,344,222)
	Sewer Bond Retirement		(460)
	Permanent Fund		(1,739)

We recommend the Village request a reduced amended certificate of estimated resources when it is known the actual receipts will be less than the estimated receipts and the deficiency will reduce estimated resources below the amount of appropriations.

The Clerk and the Council will closely monitor appropriations and estimated resources and file for amended certificates if necessary.

**VILLAGE OF DALTON  
WAYNE COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2007 and 2006**

<b>FINDING NUMBER</b>	<b>FUNDING SUMMARY</b>	<b>FULLY CORRECTED?</b>	<b>Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
2005-VDWC-01	Ohio Revised Code Section 5705.41 (D)- Proper certification of funds prior to disbursement	No	Not Corrected-See Finding 2007-VDWC- 01



**Mary Taylor, CPA**  
Auditor of State

**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  
SEPTEMBER 23, 2008**