



**Auditor of State  
Betty Montgomery**



VILLAGE OF DALTON  
WAYNE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types For the Year Ended December 31, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2002.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types For the Year Ended December 31, 2002.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	18

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Dalton  
Wayne County  
1 West Main Street  
P.O. Box 493  
Dalton, Ohio 44618

To the Village Council:

We have audited the accompanying financial statements of the Village of Dalton, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2003 and 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As more fully disclosed in Note 2, the General Fund and Expendable Trust Fund balances were restated as of January 1, 2002 to correct the classification of income tax receipts and expenditures.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Dalton  
Wayne County  
Independent Accountants' Report  
Page 2

This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

August 5, 2004

**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, 2003**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$402,169			\$100,000	\$502,169
Intergovernmental Receipts	86,834	\$87,062		60,038	233,934
Charges for Services	2,051	15,434			17,485
Fines, Licenses, and Permits	36,736	815			37,551
Earnings on Investments	4,569	2,027			6,596
Miscellaneous	350	1,970		600	2,920
<b>Total Cash Receipts</b>	<b>532,709</b>	<b>107,308</b>	<b>\$0</b>	<b>160,638</b>	<b>800,655</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	228,121	96			228,217
Public Health Services	7,575	22,526			30,101
Leisure Time Activities	15,486				15,486
Basic Utility Services	1,703				1,703
Transportation	29,871	93,872			123,743
General Government	113,052				113,052
Debt Service:					
Principal Payments			14,900		14,900
Interest Payments			27,518		27,518
Capital Outlay	2,696			174,108	176,804
<b>Total Cash Disbursements</b>	<b>398,504</b>	<b>116,494</b>	<b>42,418</b>	<b>174,108</b>	<b>731,524</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>134,205</b>	<b>(9,186)</b>	<b>(42,418)</b>	<b>(13,470)</b>	<b>69,131</b>
<b>Other Financing Receipts and (Disbursements):</b>					
Other Financing Sources			20		20
Sale of Assets				2,820	2,820
Transfers-In		10,000	34,977		44,977
Advances-In				50,000	50,000
Transfers-Out	(44,977)				(44,977)
Advances-Out	(50,000)				(50,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(94,977)</b>	<b>10,000</b>	<b>34,997</b>	<b>52,820</b>	<b>2,840</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	39,228	814	(7,421)	39,350	71,971
Fund Cash Balances, January 1	127,919	95,645	7,442	332,338	563,344
<b>Fund Cash Balances, December 31</b>	<b>\$167,147</b>	<b>\$96,459</b>	<b>\$21</b>	<b>\$371,688</b>	<b>\$635,315</b>
Reserves for Encumbrances, December 31	\$20,484	\$3,134	\$0	\$6,500	\$30,118

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

**VILLAGE OF DALTON  
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency		
<b>Operating Cash Receipts:</b>					
Charges for Services	\$493,049			\$65	\$493,114
<b>Operating Cash Disbursements:</b>					
Personal Services	109,457				109,457
Fringe Benefits	3,966				3,966
Contractual Services	71,137			90	71,227
Supplies and Materials	102,853				102,853
Capital Outlay	121,052				121,052
Total Operating Cash Disbursements	408,465	\$0		90	408,555
Operating Income/(Loss)	84,584	0		(25)	84,559
<b>Non-Operating Cash Receipts:</b>					
Earnings on Investments		444			444
<b>Non-Operating Cash Disbursements:</b>					
Debt Service:					
Principal	(18,762)				(18,762)
Interest	(58,830)				(58,830)
Total Non-Operating Cash Disbursements	(77,592)	0		0	(77,592)
Net Receipts Over/(Under) Disbursements	6,992	444		(25)	7,411
Fund Cash Balances, January 1	509,275	57,321		55	566,651
<b>Fund Cash Balances, December 31</b>	<b>\$516,267</b>	<b>\$57,765</b>		<b>\$30</b>	<b>\$574,062</b>
Reserve for Encumbrances, December 31	\$0	\$0		\$0	\$0

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

**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, 2002**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$352,545			\$126,300	\$478,845
Intergovernmental Receipts	132,302	\$75,286		40,303	247,891
Charges for Services	1,221	12,988			14,209
Fines, Licenses, and Permits	24,026	478			24,504
Earnings on Investments	8,829	4,159			12,988
Miscellaneous	3,199	133			3,332
<b>Total Cash Receipts</b>	<b>522,122</b>	<b>93,044</b>	<b>\$0</b>	<b>166,603</b>	<b>781,769</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	235,973	70			236,043
Public Health Services	7,301	20,886			28,187
Leisure Time Activities	9,750				9,750
Basic Utility Services	1,670				1,670
Transportation	48,606	65,742			114,348
General Government	122,285				122,285
Debt Service:					
Principal Payments			7,000	7,100	14,100
Interest Payments			27,965	341	28,306
Capital Outlay	5,072			283,391	288,463
<b>Total Cash Disbursements</b>	<b>430,657</b>	<b>86,698</b>	<b>34,965</b>	<b>290,832</b>	<b>843,152</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>91,465</b>	<b>6,346</b>	<b>(34,965)</b>	<b>(124,229)</b>	<b>(61,383)</b>
<b>Other Financing Receipts and (Disbursements):</b>					
Loan Proceeds				115,236	115,236
Sale of Assets				2,200	2,200
Transfers-In		10,000	42,407		52,407
Advances-In	100,000				100,000
Transfers-Out	(173,242)				(173,242)
Advances-Out				(100,000)	(100,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(73,242)</b>	<b>10,000</b>	<b>42,407</b>	<b>17,436</b>	<b>(3,399)</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>18,223</b>	<b>16,346</b>	<b>7,442</b>	<b>(106,793)</b>	<b>(64,782)</b>
<b>Fund Cash Balances, January 1 (Restated)</b>	<b>109,696</b>	<b>79,299</b>	<b>0</b>	<b>439,131</b>	<b>628,126</b>
<b>Fund Cash Balances, December 31</b>	<b>\$127,919</b>	<b>\$95,645</b>	<b>\$7,442</b>	<b>\$332,338</b>	<b>\$563,344</b>
<b>Reserves for Encumbrances, December 31</b>	<b>\$17,520</b>	<b>\$1,325</b>	<b>\$0</b>	<b>\$40,246</b>	<b>\$59,091</b>

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

**VILLAGE OF DALTON  
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$425,129		\$162	\$425,291
<b>Operating Cash Disbursements:</b>				
Personal Services	108,543			108,543
Fringe Benefits	2,355			2,355
Contractual Services	58,019		\$147	58,166
Supplies and Materials	108,221		15	108,236
Capital Outlay	17,846			17,846
Total Operating Cash Disbursements	294,984	\$0	162	295,146
Operating Income/(Loss)	130,145	0	0	130,145
<b>Non-Operating Cash Receipts:</b>				
Intergovernmental Receipts	13,896			13,896
Earnings on Investments		1,374		1,374
Total Non-Operating Cash Receipts	13,896	1,374	0	15,270
<b>Non-Operating Cash Disbursements:</b>				
Debt Service:				
Principal	(12,000)			(12,000)
Interest	(59,625)			(59,625)
Total Non-Operating Cash Disbursements	(71,625)	0	0	(71,625)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	72,416	1,374	0	73,790
Transfers-In	126,880			126,880
Transfers-Out	(6,045)			(6,045)
Net Receipts Over/(Under) Disbursements	193,251	1,374	0	194,625
Fund Cash Balances, January 1	316,024	55,947	55	372,026
<b>Fund Cash Balances, December 31</b>	<b>\$509,275</b>	<b>\$57,321</b>	<b>\$55</b>	<b>\$566,651</b>
Reserve for Encumbrances, December 31	\$0	\$0	\$0	\$0

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

**VILLAGE OF DALTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Dalton, Wayne County, (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 services. The Village contracts with the 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, except debt service funds maintained by outside custodians which are not included in these financial statements. These assets are further described in Note 8 to the financial statements.

**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 or permitted by the Auditor of State.

**C. Cash**

Certificates of deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Fund**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

VILLAGE OF DALTON  
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

*Street Construction, Maintenance and Repair Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

*Cemetery Fund* -This fund receives monies from grave sales and interment services. The fund is to be used for cemetery maintenance costs.

3. Debt Service Fund

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 the payment of the Series 2001 Various Purpose Bonds.

4. Capital Project 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:

*Municipal Building Construction Fund* - This fund receives proceeds of general obligation bonds. The proceeds are being used to construct a new municipal building.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the 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 this utility.

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

6. Fiduciary Funds (Trust and Agency Funds)

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 funds:

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

**VILLAGE OF DALTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**6. Fiduciary Funds (Trust and Agency Funds) (Continued)**

*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 from the Mayor's Court to be distributed to the Village and the State of Ohio. However, the Mayor's Court was dissolved during 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 (except certain agency funds) 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. The 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 cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2003 and 2002 budgetary activity appears in Note 4.

**F. Property, Plant and Equipment**

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

**VILLAGE OF DALTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. CORRECTION OF AN ERROR - RECLASSIFICATION OF INCOME TAX FUND**

Prior to January 1, 2002, income tax receipts and expenditures were improperly reported in an expendable trust fund. This activity has been reclassified to the General Fund. As a result of correcting this error, the fund cash balances have been restated as follows:

	General Fund	Expendable Trust Fund
Previously Reported Fund Cash Balance, December 31, 2001	\$89,199	\$20,497
Reclassification of income tax activity	20,497	(20,497)
Restated Fund Balance, January 1, 2002	<u>\$109,696</u>	<u>\$0</u>

In addition, the effect of this adjustment on Excess of Cash Receipts (Under) Cash Disbursements for 2001 was as follows:

	General Fund	Expendable Trust Fund
Previously Reported Excess of Cash Receipts Under Cash Disbursements for 2001	(\$64,101)	(\$18,327)
Reclassification of income tax activity	(18,327)	18,327
Excess of Cash Receipts Under Cash Disbursements for 2001	<u>(\$82,428)</u>	<u>\$0</u>

**3. EQUITY IN POOLED CASH**

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

	2003	2002
Demand deposits	\$1,209,377	\$1,129,995

**Deposits:** Deposits are either insured by the (1) Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF DALTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(CONTINUED)**

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$537,175	\$532,709	\$4,466
Special Revenue	174,000	117,308	56,692
Debt Service	43,000	34,997	8,003
Capital Projects	237,246	213,458	23,788
Enterprise	543,000	493,049	49,951
Fiduciary	5,000	444	4,556
Total	<u>\$1,539,421</u>	<u>\$1,391,965</u>	<u>\$147,456</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$580,200	\$513,965	\$66,235
Special Revenue	269,695	119,628	150,067
Debt Service	50,441	42,418	8,023
Capital Projects	519,337	180,608	338,729
Enterprise	1,048,732	486,057	562,675
Fiduciary	60,497	0	60,497
Total	<u>\$2,528,902</u>	<u>\$1,342,676</u>	<u>\$1,186,226</u>

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$617,755	\$622,122	\$4,367
Special Revenue	231,000	103,044	(127,956)
Debt Service	42,500	42,407	(93)
Capital Projects	363,500	284,039	(79,461)
Enterprise	609,000	565,905	(43,095)
Fiduciary	5,000	1,374	(3,626)
Total	<u>\$1,868,755</u>	<u>\$1,618,891</u>	<u>(\$249,864)</u>

**VILLAGE OF DALTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(CONTINUED)**

**4. BUDGETARY ACTIVITY (Continued)**

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$698,009	\$621,419	\$76,590
Special Revenue	290,950	88,023	202,927
Debt Service	42,500	34,965	7,535
Capital Projects	777,622	431,078	346,544
Enterprise	890,848	301,029	589,819
Fiduciary	60,947	0	60,947
Total	<u>\$2,760,876</u>	<u>\$1,476,514</u>	<u>\$1,284,362</u>

**5. NONCOMPLIANCE**

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

**6. PROPERTY TAX**

Real property taxes become 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 by the property owners, who must file a list of such property to the County by each April 30.

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

**7. LOCAL INCOME TAX**

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

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

**VILLAGE OF DALTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(CONTINUED)**

**8. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2003 - OPWC Loan	\$109,474	0.000%
2001 - Various Purpose Bonds	475,500	6.625%
1989 - Mortgage Revenue Bonds	<u>875,000</u>	5.650%
Total	<u>\$1,459,974</u>	

The 2003 OPWC 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 Street, 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 system in amounts sufficient to pay for these bonds.

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

	<u>Various Purpose Bonds</u>	<u>Mortgage Revenue Bonds</u>	<u>OPWC Loan</u>
Year ending December 31:			
2004	\$42,445	\$70,969	\$5,762
2005	42,441	71,107	5,762
2006	42,384	71,180	5,762
2007	42,475	71,186	5,762
2008	42,405	71,126	5,762
2009 – 2029	<u>551,573</u>	<u>1,503,510</u>	<u>80,664</u>
Total	<u>\$763,723</u>	<u>\$1,859,078</u>	<u>\$109,474</u>

**9. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide 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 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003

**VILLAGE OF DALTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(CONTINUED)**

**10. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**11. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**12. RELATED PARTY TRANSACTIONS**

The Board of Public Affairs Clerk and the Cemetery Superintendent are owners of Dalton Hardware, a company from which the Village acquired hardware supplies and materials during 2003 and 2002. The Village paid \$4,489 and \$5,194 for these acquisitions in 2003 and 2002, respectively.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Dalton  
Wayne County  
1 West Main Street  
P.O. Box 493  
Dalton, Ohio 44618

To the Village Council:

We have audited the accompanying financial statements of the Village of Dalton, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 5, 2004, wherein the General Fund and Expendable Trust Fund balances were restated as of January 1, 2002 to correct the classification of income tax receipts. 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.

**Compliance**

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 and grants, 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 that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as item 2003-001 and 2003-002.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 5, 2004.

**Internal Control 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 assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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.

111 Second St., NW / Fourth Floor / Canton, OH 44702  
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Village of Dalton  
Wayne County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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 August 5, 2004.

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

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

**Betty Montgomery**  
Auditor of State

August 5, 2004

VILLAGE OF DALTON  
WAYNE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Noncompliance Citation

**Ohio Rev. Code Section 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void, and no warrant shall be issued in payment of any amount due thereto.

This section also provides two "exceptions" to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate, both at the time of the contract or order and at the time of the her certification, that a sufficient sum was appropriated and free of any previous encumbrances, Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipts of such certificate
2. If the amount involved is less than \$1,000 (which was increased to \$3,000 as of April 7, 2003) , the Village Clerk may authorize payment through a Then and Now Certificate without affirmation of Village Council upon completion of the "then and now" certificate, provided that the expenditure is otherwise valid.

During 2003 and 2002, 72% (43 out of 60) of expenditures tested were certified after the obligation date. Also, neither of the two exceptions were utilized. We recommend the Village Clerk inform all Village employees of the requirements of Ohio Rev. Code Section 5705.41(D). The Village should certify the availability of funds prior to incurring any obligation, in order to avoid overspending. The Village should also implement the use of so called Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41(D).

FINDING NUMBER 2003-002

FINDING FOR ADJUSTMENT

**Ohio Rev. Code Section 5705.131** states that interest earned on the principal of a non-expendable trust fund that has been established for the purpose of receiving donations or contributions that the donor or contributor requires to be maintained intact must be credited to the non-expendable trust fund to which the principal belongs.

The Village did not initially credit interest to the Cemetery Bequest Fund, a non-expendable trust fund established under Ohio Rev. Code Section 5705.131, as required. As a result, revenues were initially overstated in the General Fund and Special Revenue Cemetery Fund and revenues were understated in the Cemetery Bequest Fund. The Village should distribute interest to the Cemetery Bequest Fund in accordance with the above requirements.

**VILLAGE OF DALTON  
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-30985-001	<b>Ohio Rev. Code Section 5705.41 (D)</b> – Failure to certify funds.	No	Not Corrected – During 2003 and 2002 72% of expenditures tested were not properly certified. Reissued as finding 2003-001.
2001-30985-002	<b>Ohio Rev. Code Section 5705.09</b> – Issue II receipts and expenditures were not recorded.	Yes	Finding no longer valid.
2001-30985-003	<b>Sanitary Sewer System First Mortgage Revenue Bonds, Series 1989 Debt Agreement</b> – Noncompliance with debt covenant.	No	The Village corrected during 2003. A management letter comment was issued for the current audit.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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 21, 2004**