



**VILLAGE OF DALTON  
WAYNE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 1999 - 1998**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF DALTON

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## REPORT OF INDEPENDENT ACCOUNTANTS

Village of Dalton  
Wayne County  
1 West Main Street, PO 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, 1999 and 1998. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits 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 audits provide 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 of Dalton, Wayne County, Ohio, as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As more fully discussed in Note 2 to the financial statements, the fund cash balance for the Agency Fund was restated as of January 1, 1998, to include the activities of the Mayor's Court which were previously excluded from the Village's financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2000 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.

Village of Dalton  
Wayne County  
Report of Independent Accountants  
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This report is intended solely for the information and use of management, Village Council, and other officials authorized to receive this report under Section 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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending from the top of the "P".

**Jim Petro**  
Auditor of State

August 7, 2000

**VILLAGE OF DALTON**  
**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$73,583			\$375,229	\$448,812
Intergovernmental Receipts	90,536	\$93,992	\$51,788		236,316
Charges for Services	1,129	7,236	38,588		46,953
Fines, Licenses, and Permits	27,346	1,668			29,014
Earnings on Investments	20,335	2,550			22,885
Miscellaneous	2,690	3,216			5,906
<b>Total Cash Receipts</b>	<b>215,619</b>	<b>108,662</b>	<b>90,376</b>	<b>375,229</b>	<b>789,886</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	206,526	27,078			233,604
Public Health Services	6,357	21,021			27,378
Leisure Time Activities	15,639				15,639
Basic Utility Services	2,083				2,083
Transportation	67,244	60,598			127,842
General Government	93,646	316		9,564	103,526
Debt Service:					
Principal Payments			6,484		6,484
Interest Payments			2,659		2,659
Capital Outlay	6,680		380,175		386,855
<b>Total Cash Disbursements</b>	<b>398,175</b>	<b>109,013</b>	<b>389,318</b>	<b>9,564</b>	<b>906,070</b>
Total Cash Receipts Over/(Under) Cash Disbursements	(182,556)	(351)	(298,942)	365,665	(116,184)
<b>Other Financing Receipts/(Disbursements):</b>					
Proceeds of Notes			185,000		185,000
Transfers-In	175,950	12,871	215,050		403,871
Transfers-Out	(12,871)			(391,000)	(403,871)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>163,079</b>	<b>12,871</b>	<b>400,050</b>	<b>(391,000)</b>	<b>185,000</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(19,477)	12,520	101,108	(25,335)	68,816
Fund Cash Balances, January 1	152,483	90,545	216,015	69,813	528,856
<b>Fund Cash Balances, December 31</b>	<b>\$133,006</b>	<b>\$103,065</b>	<b>\$317,123</b>	<b>\$44,478</b>	<b>\$597,672</b>
Reserves for Encumbrances, December 31	\$11,156	\$5,339	\$0	\$2,846	\$19,341

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

**VILLAGE OF DALTON**  
**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, 1999**

	<u>Proprietary</u> <u>Fund Type</u>	<u>Fiduciary</u> <u>Fund Types</u>		<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable</u> <u>Trust</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$270,718		\$9,107	\$279,825
Miscellaneous		\$100		100
Total Operating Cash Receipts	<u>270,718</u>	<u>100</u>	<u>9,107</u>	<u>279,925</u>
<b>Operating Cash Disbursements:</b>				
Personal Services	89,426			89,426
Fringe Benefits	1,137			1,137
Contractual Services	50,643			50,643
Supplies and Materials	69,769			69,769
Miscellaneous			10,418	10,418
Capital Outlay	25,021			25,021
Total Operating Cash Disbursements	<u>235,996</u>		<u>10,418</u>	<u>246,414</u>
Operating Income/(Loss)	<u>34,722</u>	<u>100</u>	<u>(1,311)</u>	<u>33,511</u>
<b>Non-Operating Cash Disbursements:</b>				
Debt Service:				
Principal Payments	10,000			10,000
Interest Payments	61,679			61,679
Total Non-Operating Cash Disbursements	<u>71,679</u>			<u>71,679</u>
Net cash receipts over/(under) cash disbursements	(36,957)	100	(1,311)	(38,168)
Fund Cash Balances, January 1	<u>205,037</u>	<u>51,581</u>	<u>1,351</u>	<u>257,969</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$168,080</u></b>	<b><u>\$51,681</u></b>	<b><u>\$40</u></b>	<b><u>\$219,801</u></b>
Reserves for Encumbrances, December 31	<u>\$14,900</u>	<u>\$0</u>	<u>\$0</u>	<u>\$14,900</u>

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

**VILLAGE OF DALTON**  
**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$70,995			\$327,588	\$398,583
Intergovernmental Receipts	122,702	\$95,799	\$3,944		222,445
Charges for Services	926	18,557	35,471		54,954
Fines, Licenses, and Permits	35,397	2,131			37,528
Earnings on Investments	16,715	2,625			19,340
Miscellaneous	2,371	58			2,429
<b>Total Cash Receipts</b>	<u>249,106</u>	<u>119,170</u>	<u>39,415</u>	<u>327,588</u>	<u>735,279</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	177,723	30,171			207,894
Public Health Services	6,329	19,194			25,523
Leisure Time Activities	8,914				8,914
Transportation	58,363	34,987			93,350
General Government	95,002	1,815		13,939	110,756
Debt Service:					
Principal Payments			6,484		6,484
Interest Payments					
Capital Outlay	5,668		125,972		131,640
<b>Total Cash Disbursements</b>	<u>351,999</u>	<u>86,167</u>	<u>132,456</u>	<u>13,939</u>	<u>584,561</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>(102,893)</u>	<u>33,003</u>	<u>(93,041)</u>	<u>313,649</u>	<u>150,718</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Sale of Fixed Assets			3,498		3,498
Transfers-In	132,500	4,080	167,500		304,080
Transfers-Out	(4,080)			(300,000)	(304,080)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>128,420</u>	<u>4,080</u>	<u>170,998</u>	<u>(300,000)</u>	<u>3,498</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	25,527	37,083	77,957	13,649	154,216
Fund Cash Balances, January 1	126,956	53,462	138,058	56,164	374,640
<b>Fund Cash Balances, December 31</b>	<u><b>\$152,483</b></u>	<u><b>\$90,545</b></u>	<u><b>\$216,015</b></u>	<u><b>\$69,813</b></u>	<u><b>\$528,856</b></u>
Reserves for Encumbrances, December 31	\$4,358	\$4,895	\$0	\$185	\$9,438

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

**VILLAGE OF DALTON**  
**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, 1998**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$258,202			\$258,202
Fines			\$26,087	26,087
Total Operating Cash Receipts	<u>258,202</u>		<u>26,087</u>	<u>284,289</u>
<b>Operating Cash Disbursements:</b>				
Personal Services	89,025			89,025
Fringe Benefits	2,102			2,102
Contractual Services	49,787			49,787
Supplies and Materials	60,791			60,791
Miscellaneous			25,599	25,599
Capital Outlay	37,794			37,794
Total Operating Cash Disbursements	<u>239,499</u>		<u>25,599</u>	<u>265,098</u>
Operating Income	<u>18,703</u>		<u>488</u>	<u>19,191</u>
<b>Non-Operating Cash Receipts:</b>				
Miscellaneous	<u>3,150</u>			<u>3,150</u>
<b>Non-Operating Cash Disbursements:</b>				
Debt Service:				
Principal Payments	9,000			9,000
Interest Payments	62,275			62,275
Total Non-Operating Cash Disbursements	<u>71,275</u>			<u>71,275</u>
Net Cash Receipts Over/(Under) Cash Disbursement:	(49,422)		488	(48,934)
Fund cash balances, January 1 (Restated, See Note 2)	<u>254,459</u>	<u>51,581</u>	<u>863</u>	<u>306,903</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$205,037</u></b>	<b><u>\$51,581</u></b>	<b><u>\$1,351</u></b>	<b><u>\$257,969</u></b>
Reserves for Encumbrances, December 31	<u>\$10,812</u>	<u>\$0</u>	<u>\$0</u>	<u>\$10,812</u>

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

**VILLAGE OF DALTON  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**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 protection services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except for debt service funds maintained by outside custodians which are not included in these financial statements. These assets are further described in Note 9 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 and Investments**

Certificates of deposit are valued at cost.

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**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.

**VILLAGE OF DALTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**2. Special Revenue Funds**

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:

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

Cops Fast Fund -This fund receives grant monies for the reimbursement of police expenses.

**3. 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 receives its revenue from income tax allocations. It is used to account for major capital improvements as approved by Village Council.

**4. 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.

**VILLAGE OF DALTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**5. 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:

Income Tax Fund - This expendable trust fund is used to account for income tax collections.

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 State of Ohio.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except the Mayor's Court Agency Fund) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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. The Village did not encumber all commitments required by Ohio law.

A summary of 1999 and 1998 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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**2. CORRECTION OF ERRORS**

Prior to 1998, the Village's Mayor's Court activity was not accounted for on the Village's financial records. Mayor's Court monies are collected from fines and forfeitures assessed by the Mayor's Court and are subsequently required to be paid to the Village and State of Ohio. Since the Mayor's Court acts in an agency capacity under the guidance of the Village Mayor, these activities should be reflected within a Village Agency Fund. To correct for the improper exclusion of these funds, the January 1, 1998, Agency Fund balance has been restated by \$863.

Also, the January 1, 1998, Sewer Bond Retirement Fund and Special Sewer Assessment Fund balances totaling \$20,283 and \$23,875, respectively, were improperly classified as Debt Service Funds; therefore, these funds were reclassified as Enterprise Funds.

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash and investment 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>1999</u>	<u>1998</u>
Demand deposits	\$ 567,473	\$ 536,825
Certificates of deposit	<u>250,000</u>	<u>250,000</u>
Total deposits and investments	<u>\$ 817,473</u>	<u>\$ 786,825</u>

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

**VILLAGE OF DALTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 388,274	\$ 391,569	\$ 3,295
Special Revenue	208,000	121,533	(86,467)
Capital Projects	441,000	490,426	49,426
Enterprise	350,000	270,718	(79,282)
Fiduciary	379,000	375,329	(3,671)
Total	<u>\$ 1,766,274</u>	<u>\$ 1,649,575</u>	<u>\$ (116,699)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 538,257	\$ 422,202	\$ 116,055
Special Revenue	298,542	114,352	184,190
Capital Projects	401,009	389,318	11,691
Enterprise	605,038	322,575	282,463
Fiduciary	474,394	403,410	70,984
Total	<u>\$ 2,317,240</u>	<u>\$ 1,651,857</u>	<u>\$ 665,383</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 397,784	\$ 381,606	\$ (16,178)
Special Revenue	181,000	123,250	(57,750)
Capital Projects	210,500	210,413	(87)
Enterprise	343,600	261,352	(82,248)
Fiduciary	331,000	327,588	(3,412)
Total	<u>\$ 1,463,884</u>	<u>\$ 1,304,209</u>	<u>\$ (159,675)</u>

**VILLAGE OF DALTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

4. 1998 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 487,740	\$ 360,437	\$ 127,303
Special Revenue	224,459	91,062	133,397
Capital Projects	334,056	132,456	201,600
Enterprise	592,057	321,586	270,471
Fiduciary	393,745	314,124	79,621
Total	<u>\$ 2,032,057</u>	<u>\$ 1,219,665</u>	<u>\$ 812,392</u>

5. **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.

6. **DEBT**

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1999 - Main Street Construction Note	\$ 185,000	6%
1996 - Ohio Public Works Commission Loan	\$103,745	0%
1962 - Mortgage Revenue Bonds	24,000	4%
1990 - Mortgage Revenue Bonds	<u>921,000</u>	7%
Total	<u>\$ 1,233,745</u>	

The Village obtained a bank note in the amount of \$185,000 during 1999 to provide financing for its portion of the cost of the Main Street Construction Project.

**VILLAGE OF DALTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**6. DEBT(Continued)**

The Ohio Public Works Commission Project Loan relates to an improvement in the municipal water system by constructing a standpipe. This zero percent interest loan was being repaid in semiannual installments of \$3,242, over 20 years. However, Village Council approved the payoff of this debt early through a payment of \$103,745 made on June 13, 2000.

The 1962 Mortgage Revenue Bonds were to fund improvements to the Municipal Sanitary Sewerage and Sewer Disposal Systems. To service this debt, the Village has established a debt service trust account with Provident Bank. The Village remits its yearly interest and principal amounts directly to this account for distribution by the bank. Any balance in this account is invested. Due to the amount of interest generated from these investments, the amount available within the trust account should be sufficient to service the remaining debt.

The 1990 Mortgage Revenue Bonds were 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:

Year ending December 31:	OPWC Loan	Mortgage Revenue Bonds	Note
2000	\$ 6,484	\$ 71,016	\$ 185,000
2001	6,484	71,354	
2002	6,484	71,625	
2003	6,484	71,830	
2004	6,484	70,969	
Subsequent	71,325	1,788,109	
Total	<u>\$ 103,745</u>	<u>\$ 2,144,903</u>	<u>\$ 185,000</u>

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF 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 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

**VILLAGE OF DALTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**8. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

**9. DEBT SERVICE TRUSTEED FUNDS**

The First Mortgage Sanitary Sewerage System and Sewage Disposal Plant Revenue trust agreement required the Village to establish a debt service fund to be maintained by a custodian bank. The Village has established this fund. At December 31, 1999, the custodian held \$26,233 of Village funds. These funds, and the related payments to bondholders, are not reflected in the accompanying financial statements. These funds are currently invested in U. S. Treasury Strips, which are not eligible investments (See Note 12).

**10. 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.

**11. SUBSEQUENT EVENTS**

On May 8, 2000, the Village issued \$169,500 of notes in anticipation of bonds to purchase and construct additional office space. Also, on June 16, 2000, the Village accepted the bid from Walter Jones Construction Company (\$218,422) for this construction.

**VILLAGE OF DALTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**12. NON COMPLIANCE**

Contrary to Ohio Revised Code Section 5705.41(D), the Village did not properly certify its expenditures prior to purchase.

Contrary to Ohio Revised Code Section 5705.41 (B), the Village did not properly appropriate certain funds. Also, during the year, the Village expenditures exceeded appropriations at the fund, function, object level, which is the Village's legal level of control.

Contrary to Ohio Revised Code Section 135.14 and 133.03(a)(1), the Village's Reserve Account maintained to service the 1992 Mortgage Revenue Bonds contained ineligible investments in United States Treasury Strips.

Contrary to Ohio Revised Code Section 5705.09, the Village did establish the required fund to record Issue II receipts and expenditures.

Contrary to Ohio Revised Code Section 5705.14, 5705.15 and 5705.16, certain transfers were made from the Capital Improvement Fund and Sanitary Sewer Fund to the Sewer Bond Retirement Fund and Sewer Debt Reserve Fund during 1999 and 1998.

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

Village of Dalton  
Wayne County  
1 West Main Street, PO 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, 1999 and 1998, and have issued our report thereon dated August 7, 2000, which included an emphasis of a matter related to correction of errors for the Mayor's Court Agency Fund. We conducted our audits in accordance with generally accepted auditing standards 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 audits 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 items 1999-30985-001 through 1999-30985-005.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 7, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered 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. However, we noted matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as items 1999-30985-002, 1999-30985-004 and 1999-30985-005.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

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 7, 2000.

This report is intended for the information and use of 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, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

August 7, 2000

**VILLAGE OF DALTON  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Noncompliance Citation**

**FINDING NUMBER 1999-30985-001**

**Ohio Revised Code Section 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

- Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the 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 receipt of such certificate.
- If the amount involved is less than \$1,000, the Village Clerk may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

During 1999 and 1998, twenty-five of thirty (83%) and twenty-seven of thirty (90%) expenditures tested, respectively, were certified after the invoice date(s). Also, neither of the two then and now exceptions were utilized. The Clerk should inform all Village employees of the requirements of Ohio Revised Code Section 5705.41(D) concerning the expenditure of money and the need for certification of funds. The Village should consider implementing the use of so called Then and Now certificates and blanket certificates as further permitted by Ohio Revised Code Section 5705.41. However, such certifications should only be used for reoccurring and reasonably predictable matters or emergency matters which may arise from time to time.

VILLAGE OF DALTON

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

(Continued)

**FINDING NUMBER 1999-30985-002**

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

The following were noted:

- During 1999 and 1998, seven of thirty (23%) and eight of thirty (26%) expenditures tested, respectively, exceeded available appropriations at the fund, function, object level of budgetary control, which is the Village's legal level of budgetary control.
- Village Council did not approve certain appropriation amendments. Those amendments include an increase of \$7,000 in the Cemetery Fund in 1998 and an increase of \$2,500 and \$185,000 in the General Fund and Main Street Improvement Fund, respectively, in 1999. Consequently, those amendments were not utilized in the budgetary analysis presented in Note 4.
- During 1999 and 1998, the Village did not initially record Issue II disbursements totaling \$51,788 and \$3,944, respectively. Once recorded, expenditures exceeded appropriations in these funds because they were not officially adopted by Village Council.

The Clerk should frequently compare actual expenditures plus encumbrances to appropriations at the legal level of budgetary control to avoid potential overspending. Village Council should approve all appropriation amendments at the legal level of budgetary control as evidenced in the minutes. In addition, the Clerk should have Village Council adopt appropriations for Issue II disbursements.

**FINDING NUMBER 1999-30985-003**

**Ohio Revised Code Sections 135.14 and 133.03(A)(1)** provide for United States obligations or any other obligation guaranteed as to the principal and interest by the United States as eligible for investment or deposit. However, this section prohibits stripped principal or interest obligations as investments.

The Village maintains a required reserve account at Provident Bank to service the 1962 Mortgage Revenue Bonds. Upon review of this account, investments held by Provident Bank for the Village were United States Treasury Strips, which are ineligible by this statute. The Village should notify Provident Bank and request that the reserve account be invested in allowable instruments.

**FINDING NUMBER 1999-30985-004**

**Ohio Revised Code Section 5705.09** requires each subdivision to establish a special fund for each class of revenue derived from a source other than general property tax, which the law requires to be used for a particular purpose.

During 1999 and 1998, the Village did not establish an Issue II Fund to record receipts and subsequent expenditures from the Ohio Public Works Commission totaling \$51,788 and \$3,944, respectively. As a result, the Village's receipts and disbursements were understated. The Village should create an Issue II Fund to account for all related receipt and disbursement activity. In addition, the Village should refer to Auditor of State Bulletin 2000-08 for guidance.

**VILLAGE OF DALTON**

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

(Continued)

**FINDING NUMBER 1999-30985-005**

**Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16** provides guidelines pertaining to allowable inter-fund transfers. Generally, before an inter-fund transfer can be made, a resolution of the taxing authority of the political subdivision shall be passed by a majority of the governing board and such taxing authority shall prepare a petition to be presented to the tax commissioner and to the Court of Common Pleas of the County, requesting approval of said transfers.

<b>1998</b>	<b><u>Transfers Out of Fund</u></b>	<b><u>Transfers Into Fund</u></b>	<b><u>Amount</u></b>
	Capital Improvement Fund	Sewer Bond Retirement Fund	\$50,004
	Sanitary Sewer Fund	Sewer Bond Retirement Fund	\$22,536
	Sanitary Sewer Fund	Sewer Debt Reserve Fund	\$2,380
<b>1999</b>			
	Capital Improvement Fund	Sewer Bond Retirement Fund	\$50,004
	Sanitary Sewer Fund	Sewer Bond Retirement Fund	\$22,536

The transfers documented above were not approved by the Tax Commissioner and the Court of Common Pleas.

The Village Clerk should directly receipt monies into the aforementioned funds rather than transferring these monies. Conversely, the Village Clerk should also consider retiring the outstanding debt principal and interest directly from the Sanitary Sewer Fund, which initially received the debt proceeds. In addition, since the monies transferred from the Capital Improvement Fund are comprised of income tax monies, the Village Clerk should review the Income Tax Ordinance to ensure that the retirement of sewer bonds can be legally made with income tax monies. Otherwise, the Village Clerk should obtain proper authorization for transfers from funds other than the General Fund.

(The effects of the above transfers were reversed on the financial statements.)





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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  
OCTOBER 19, 2000**