

***VILLAGE OF DALTON***

***WAYNE COUNTY***

**Audit Report**

**For the Years Ended December 31, 2011 and 2010**

***CHARLES E. HARRIS & ASSOCIATES, INC.***  
Certified Public Accountants and Government Consultants





# Dave Yost • Auditor of State

Village Council  
Village of Dalton  
1 West Main Street  
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, 2010 through December 31, 2011. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

May 21, 2012

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**VILLAGE OF DALTON  
WAYNE COUNTY  
For the Years Ended December 31, 2011 and 2010**

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

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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, Wayne County, (the Village) as of and for the years ended December 31, 2011 and 2010. 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 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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, 2011 and 2010 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, 2011 and 2010, 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Dalton, Wayne County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village of Dalton, Wayne County adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2012, 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 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 the 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.

A handwritten signature in black ink that reads "Charles E. Harris" followed by "Associates" in a smaller, less legible script.

**CHARLES E. HARRIS & ASSOCIATES, INC.**

February 3, 2012

**Village of Dalton, Ohio**  
Wayne County  
*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2011*

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
<b>Cash Receipts</b>						
Property and Other Local Taxes	\$112,666			\$47,457		\$160,123
Municipal Income Tax	413,172					413,172
Intergovernmental	111,389	\$91,953		213,353		416,695
Charges for Services	1,320	11,980				13,300
Fines, Licenses and Permits	35,854					35,854
Earnings on Investments	390	247			\$191	828
Miscellaneous	899					899
<i>Total Cash Receipts</i>	<u>675,690</u>	<u>104,180</u>	<u>-</u>	<u>260,810</u>	<u>191</u>	<u>1,040,871</u>
<b>Cash Disbursements</b>						
Current:						
Security of Persons and Property	326,103	400				326,503
Public Health Services	8,976	7,417			8,950	25,343
Leisure Time Activities	7,579					7,579
Basic Utility Services	2,809					2,809
Transportation	64,562	124,934				189,496
General Government	92,070					92,070
Capital Outlay	1,540	1,500		330,730		333,770
Debt Service:						
Principal Retirement			\$23,300	12,500		35,800
Interest and Fiscal Charges			11,895			11,895
<i>Total Cash Disbursements</i>	<u>503,639</u>	<u>134,251</u>	<u>35,195</u>	<u>343,230</u>	<u>8,950</u>	<u>1,025,265</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	172,051	(30,071)	(35,195)	(82,420)	(8,759)	15,606
<b>Other Financing Receipts (Disbursements)</b>						
Transfers In			35,195	123,567		158,762
Transfers Out	(158,762)					(158,762)
Other Financing Sources				46,770		46,770
Other Financing Uses	(17,622)			(47,457)		(65,079)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(176,384)</u>	<u>-</u>	<u>35,195</u>	<u>122,880</u>	<u>-</u>	<u>(18,309)</u>
<i>Net Change in Fund Cash Balances</i>	(4,333)	(30,071)	-	40,460	(8,759)	(2,703)
<i>Fund Cash Balances, January 1</i>	151,233	120,082	-	289,566	65,156	626,037
<b>Fund Cash Balances, December 31</b>						
Nonspendable					56,358	56,358
Restricted		90,011			39	90,050
Assigned	17,382			330,026		347,408
Unassigned (Deficit)	129,518	-	-	-	-	129,518
<i>Fund Cash Balances, December 31</i>	<u>\$146,900</u>	<u>\$90,011</u>	<u>\$ -</u>	<u>\$330,026</u>	<u>\$56,397</u>	<u>\$623,334</u>

See accompanying Notes to the Financial Statements.

**Village of Dalton, Ohio**  
*Wayne County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Cash Basis)*  
*All Proprietary Fund Types*  
*For the Year Ended December 31, 2011*

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$619,926
Fines, Licenses and Permits	7,700
<i>Total Operating Cash Receipts</i>	<i>627,626</i>
<b>Operating Cash Disbursements</b>	
Personal Services	143,619
Contractual Services	114,606
Supplies and Materials	48,726
Other	12,498
<i>Total Operating Cash Disbursements</i>	<i>319,449</i>
<i>Operating Income (Loss)</i>	<i>308,177</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	196,268
Special Assessments	4,762
Other Debt Proceeds	107,308
Capital Outlay	(428,885)
Debt Service:	
Principal Retirement	(173,885)
Interest and Other Fiscal Charges	(38,823)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(333,255)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(25,078)</i>
<i>Fund Cash Balances, January 1</i>	<i>821,827</i>
<i>Fund Cash Balances, December 31</i>	<i>\$796,749</i>

See accompanying Notes to the Financial Statements.

**Village of Dalton, Ohio**  
Wayne County  
*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2010*

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
<b>Cash Receipts:</b>						
Property and Other Local Taxes	\$ 113,559			\$ 47,302		\$ 160,861
Municipal Income Tax	378,462					378,462
Intergovernmental Receipts	154,344	\$ 127,889		37,339		319,572
Charges for Services	2,543	9,853				12,396
Fines, Licenses and Permits	31,341					31,341
Earnings on Investments	1,320	563			\$ 1,275	3,158
Miscellaneous	558			6,642		7,200
<i>Total Cash Receipts</i>	<u>682,127</u>	<u>138,305</u>	<u>-</u>	<u>91,283</u>	<u>1,275</u>	<u>912,990</u>
<b>Cash Disbursements:</b>						
Security of Persons and Property	312,685					312,685
Public Health Services	8,780	16,659				25,439
Leisure Time Activities	9,459					9,459
Basic Utility Services	3,968					3,968
Transportation	97,582	84,847				182,429
General Government	94,961					94,961
Capital Outlay	1,361	600		98,608		100,569
Debt Service						
Principal Payments			\$ 22,000	12,500		34,500
Interest Payments			13,155			13,155
<i>Total Cash Disbursements</i>	<u>528,796</u>	<u>102,106</u>	<u>35,155</u>	<u>111,108</u>	<u>-</u>	<u>777,165</u>
<i>Total Receipts Over/(Under) Disbursements</i>	153,331	36,199	(35,155)	(19,825)	1,275	135,825
<b>Other Financing Sources/(Uses)</b>						
Transfers In			35,155	113,539		148,694
Transfers Out	(148,694)					(148,694)
Other Financing Sources				46,647		46,647
Other Financing Uses	(17,214)			(47,302)		(64,516)
<i>Total Other Financing Sources/(Uses)</i>	<u>(165,908)</u>	<u>-</u>	<u>35,155</u>	<u>112,884</u>	<u>-</u>	<u>(17,869)</u>
<i>Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses</i>	(12,577)	36,199		93,059	1,275	117,956
<i>Fund Balance January 1</i>	<u>163,810</u>	<u>83,883</u>		<u>196,507</u>	<u>63,881</u>	<u>508,081</u>
<i>Fund Balance December 31</i>	<u>\$ 151,233</u>	<u>\$ 120,082</u>	<u>\$ -</u>	<u>\$ 289,566</u>	<u>\$ 65,156</u>	<u>\$ 626,037</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$ 19,022</u>	<u>\$ 4,689</u>	<u>\$ -</u>	<u>\$ 45,121</u>	<u>\$ -</u>	<u>\$ 68,832</u>

See accompanying Notes to the Financial Statements.

**Village of Dalton, Ohio**  
*Wayne County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Cash Basis)*  
*All Proprietary Fund Types*  
*For the Year Ended December 31, 2010*

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 583,451
Fees, Licenses and Permits	3,400
Miscellaneous	3,250
<i>Total Operating Cash Receipts</i>	590,101
<b>Operating Cash Disbursements:</b>	
Personal Services	141,958
Transportation	8,057
Contractual Services	102,481
Supplies and Materials	62,141
Capital Outlay	126,593
<i>Total Operating Cash Disbursements</i>	441,230
<i>Operating Income (Loss)</i>	148,871
<b>Non-Operating Cash Receipts/(Disbursements)</b>	
Special Assessment	5,243
Debt Service:	
Principal Retirement	(160,970)
Interest and Fiscal Charges	(40,147)
<i>Total Non-Operating Cash Receipts (Disbursements)</i>	(195,874)
<i>Net Receipts (Under) Disbursements</i>	(47,003)
<i>Fund Cash Balances, January 1</i>	868,830
<i>Fund Cash Balances, December 31</i>	\$ 821,827
<i>Reserves for Encumbrances, December 31</i>	\$ 17,649

See accompanying Notes to the Financial Statements.

**VILLAGE OF DALTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Dalton, Wayne County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with Dalton Volunteer Fire Department to receive fire protection services.

The Village participates in a public entity risk pool. Note 9 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool: Ohio Government Risk Management Plan, a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village maintains cash in an interest-bearing checking account and certificates of deposit.

**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 reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF DALTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (continued)**

**2. Special Revenue Funds**

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

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

**3. Debt Service Funds**

These funds account for resources the Village accumulates to pay bond and note debt. 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 Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project fund:

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

**5. Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

**6. Enterprise Funds**

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

VILLAGE OF DALTON  
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

1. **Summary of Significant Accounting Policies (continued)**

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

**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, function or object level of control, and appropriations may not exceed estimated resources. The Village 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**F. Fund Balance**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. **Restricted**

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

VILLAGE OF DALTON  
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

1. **Summary of Significant Accounting Policies (continued)**

3. **Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. **Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. **Equity in Pooled Deposits and Investments**

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

**VILLAGE OF DALTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**2. Equity in Pooled Deposits and Investments (continued)**

	2011	2010
Demand deposits	\$ 1,270,083	\$ 1,292,864
Certificates of deposits	50,000	55,000
Other time deposits (Money Market)	100,000	100,000
Total deposits	\$ 1,420,083	\$ 1,447,864

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 682,024	\$ 675,690	\$ (6,334)
Special Revenue	140,350	104,180	(36,170)
Debt Service	40,000	35,195	(4,805)
Capital Projects	441,000	431,147	(9,853)
Enterprise	963,000	935,964	(27,036)
Permanent	200	191	(9)
Total	\$ 2,266,574	\$ 2,182,367	\$ (84,207)

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 806,257	\$ 697,405	\$ 108,852
Special Revenue	153,393	139,646	13,747
Debt Service	40,000	35,195	4,805
Capital Projects	409,566	390,687	18,879
Enterprise	1,064,251	977,508	86,743
Permanent	10,000	8,950	1,050
Total	\$ 2,483,467	\$ 2,249,391	\$ 234,076

**VILLAGE OF DALTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. Budgetary Activity (continued)**

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 714,633	\$ 682,127	\$ (32,506)
Special Revenue	141,900	138,305	(3,595)
Debt Service	36,000	35,155	(845)
Capital Projects	275,000	251,469	(23,531)
Enterprise	610,000	595,344	(14,656)
Permanent	10,000	1,275	(8,725)
Total	<u>\$ 1,787,533</u>	<u>\$ 1,703,675</u>	<u>\$ (83,858)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 778,443	\$ 713,726	\$ 64,717
Special Revenue	128,118	106,795	21,323
Debt Service	36,000	35,155	845
Capital Projects	220,280	203,531	16,749
Enterprise	785,933	659,996	125,937
Permanent	-	-	-
Total	<u>\$ 1,928,774</u>	<u>\$ 1,719,203</u>	<u>\$ 229,571</u>

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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.

**5. Local Income Tax**

The Village levies a 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.

**VILLAGE OF DALTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**5. Local Income Tax (continued)**

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

**6. Debt**

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
1989 Sanitary Sewer Mortgage Revenue Bonds	\$ 565,000	5.650%
2003 OPWC Loan CP23	63,378	0%
OWDA Loan # 4512	2,206,845	0%
OWDA Loan # 5838	107,308	4.72%
2007 OPWC Loan CP14I	43,751	0%
2001 Various Purpose Bonds	192,975	6.625%
Total	\$ 3,179,257	

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 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 Ohio Water Development Authority (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 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. Water and sewer receipts collateralize these loans. The Village has agreed to set utility rates sufficient to cover the debt service requirements.

The OWDA loan # 5838 relates to the sewer replacement project. The OWDA approved up to \$320,865 in loans to the Village for this project. It is a 15 year loan at 4.72% interest payable in installments until 2027. As of December 31, 2011, only \$107,308 has been disbursed and payment for the loan will not commence until July 2012. The amortization schedule is not yet available. Water and sewer receipts also collateralize this loan.

The 2007 OPWC Loan CP14I 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. The Village's taxing authority collateralized the loan.

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 Village's taxing authority collateralized the bonds.

**VILLAGE OF DALTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**6. Debt (continued)**

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

Year ending December 31:	Mortgage revenue bonds	OPWC CP23	OWDA 4512	OPWC CP14I	Various purpose bonds
2012	\$ 72,025	\$ 5,762	\$ 147,123	\$ 12,500	\$ 35,159
2013	71,501	5,762	147,123	12,500	35,252
2014	71,911	5,762	147,123	12,500	35,254
2015	71,189	5,762	147,123	6,251	35,173
2016	71,400	5,762	147,123		35,205
2017-2026	729,754	34,568	1,471,230		58,187
Total	<u>\$ 1,087,780</u>	<u>\$ 63,378</u>	<u>\$ 2,206,845</u>	<u>\$ 43,751</u>	<u>\$ 234,230</u>

**7. Retirement Systems**

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**8. Risk Management**

**Risk Pool Membership**

Prior to 2009, the Village belonged 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 Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

**VILLAGE OF DALTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**8. Risk Management (continued)**

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

**VILLAGE OF DALTON  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**9. Contingent Liabilities**

Management believes there are no material pending claims or lawsuits.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**10. Related Party Transactions**

The Village Mayor is a private contractor for the Village cemetery. The Village pays the Mayor \$150 a month for her services.

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

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

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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the financial statements of the Village of Dalton (the Village) as of and for the year ended December 31, 2011 and 2010, and have issued our report thereon dated February 3, 2012 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. For the year ended December 31, 2011, we noted the Village implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". 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*.

**Internal Control 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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Also, we noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated February 3, 2012.

We intend this report solely for the information and use of management, the audit committee, the Village Council and others within the Village. We intend it for no one other than these specified parties.



**CHARLES E. HARRIS & ASSOCIATES, INC.**

February 3, 2012

VILLAGE OF DALTON  
WAYNE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-01

**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 2011, the Village obtained new loans from OWDA in the amount of \$107,308. The Village posted these receipts as Intergovernmental. These were reclassified as proceeds of loans.

Also, during 2011, the Village received a grant from Issue II for its water and sewer construction projects in the amount of \$34,700. The Village classified this grant as Miscellaneous Receipts. This was reclassified to Intergovernmental Receipts. It also had \$32,072 in bulk water sales and sewer sludge disposal service which were posted as Miscellaneous Receipts. These receipts were reclassified as Charges for Services.

We recommend that the Village follow the Village Officers' Handbook for suggested account classifications.

Management Response:

The Fiscal Officer agrees and will properly post loan receipts and charges for services receipts in the correct fund and account in the future.

VILLAGE OF DALTON  
WAYNE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2011 and 2010

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>
2009-VDWC-01	Ohio Revised Code Section 5705.41 (D)- Proper certification of funds prior to disbursement	No	Partially Corrected. Moved to Management letter



# Dave Yost • 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  
JUNE 7, 2012