

VILLAGE OF DALTON

WAYNE COUNTY, OHIO

REGULAR AUDIT

For the Years Ended December 31, 2019 and 2018



OHIO AUDITOR OF STATE
KEITH FABER



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Members of Council
Village of Dalton
1 West Main Street
Dalton, Ohio 44618

We have reviewed the *Independent Auditor's Report* of the Village of Dalton, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2018 through December 31, 2019. 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 Auditor of State is currently conducting an investigation related to the Village. As of the date of this report, the investigation is ongoing. Depending on the outcome, the results of the investigation may be reported at a later date

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 "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

February 17, 2021

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VILLAGE OF DALTON
WAYNE COUNTY
Regular Audit
For the Years Ended December 31, 2019 and 2018

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors’ Report.....	1-3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2019.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Proprietary Fund Types - For the Year Ended December 31, 2019.....	5
Notes to the Financial Statements – For the Year Ended December 31, 2019	6-14
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2018.....	15
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Proprietary Fund Types - For the Year Ended December 31, 2018.....	16
Notes to the Financial Statements – For the Year Ended December 31, 2018	17-25
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	26-27
Schedule of Findings	28-30
Prepared by Management:	
Corrective Action Plan	31

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INDEPENDENT AUDITORS' REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Dalton, Wayne County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, and changes in financial position or its cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Dalton, Wayne County, Ohio, as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of matter

As discussed in Note 11 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinions regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2020, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
December 28, 2020

**VILLAGE OF DALTON
WAYNE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts					
Property and Other Local Taxes	\$ 136,992	-	-	-	\$ 136,992
Municipal Income Tax	562,901	-	-	-	562,901
Intergovernmental	57,209	\$ 108,000	\$ 157,065	-	322,274
Charges for Services	84,333	25,427	-	-	109,760
Fines, Licenses and Permits	29,889	-	-	-	29,889
Earnings on Investments	1,535	380	2,575	-	4,490
Miscellaneous	13,949	4,429	-	-	18,378
<i>Total Cash Receipts</i>	<u>886,808</u>	<u>138,236</u>	<u>159,640</u>	<u>-</u>	<u>1,184,684</u>
Cash Disbursements					
Current:					
Security of Persons and Property	497,700	500	-	-	498,200
Public Health Services	10,365	18,606	-	-	28,971
Leisure Time Activities	9,655	-	-	-	9,655
Basic Utility Services	7,517	-	-	-	7,517
Transportation	106,204	93,399	-	-	199,603
General Government	118,719	-	-	-	118,719
Capital Outlay	2,825	1,000	608,538	-	612,363
<i>Total Cash Disbursements</i>	<u>752,985</u>	<u>113,505</u>	<u>608,538</u>	<u>-</u>	<u>1,475,028</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	133,823	24,731	(448,898)	-	(290,344)
Other Financing Receipts (Disbursements)					
Sale of Notes	-	-	249,752	-	249,752
Transfers In	-	-	142,905	-	142,905
Transfers Out	(142,905)	-	-	-	(142,905)
Other Financing Uses	(3,611)	-	-	-	(3,611)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(146,516)</u>	<u>-</u>	<u>392,657</u>	<u>-</u>	<u>246,141</u>
<i>Net Change in Fund Cash Balances</i>	(12,693)	24,731	(56,241)	-	(44,203)
<i>Fund Cash Balances, January 1</i>	<u>176,832</u>	<u>56,683</u>	<u>379,520</u>	<u>\$ 56,637</u>	<u>669,672</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	56,358	56,358
Restricted	-	81,414	-	279	81,693
Assigned	164,139	-	323,279	-	487,418
<i>Fund Cash Balances, December 31</i>	<u>\$ 164,139</u>	<u>\$ 81,414</u>	<u>\$ 323,279</u>	<u>\$ 56,637</u>	<u>\$ 625,469</u>

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 BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Proprietary Fund Types Enterprise Fund</u>
Operating Cash Receipts:	
Charges for Services	\$ 913,209
Fines, Licenses and Permits	9,950
Miscellaneous	3,137
	926,296
<i>Total Operating Cash Receipts</i>	926,296
Operating Cash Disbursements	
Personal Services	133,238
Employee Fringe Benefits	48,857
Contractual Services	198,952
Supplies and Materials	98,078
	479,125
<i>Total Operating Cash Disbursements</i>	479,125
<i>Operating Income (Loss)</i>	447,171
Non-Operating Receipts (Disbursements):	
Special Assessments	554
Capital Outlay	(196,272)
Principal Retirement	(183,816)
Interest and Other Fiscal Charges	(6,890)
	(386,424)
<i>Total Non-Operating Receipts (Disbursements)</i>	(386,424)
<i>Net Change in Fund Cash Balances</i>	60,747
<i>Fund Cash Balance, January 1</i>	594,601
	655,348
<i>Fund Cash Balance, December 31</i>	\$ 655,348

See accompanying Notes to the Financial Statements.

Village of Dalton
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The Village of Dalton (the Village), Wayne County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including maintenance of roads, park operations, police services and water and sewer utilities. The Village contracts with the East Wayne Fire District to receive fire protection services.

Public Entity Risk Pool

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 6 to the financial statements provide additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Income Tax Fund has been mapped to the General Fund for the purpose of reporting total receipts and disbursements at year-end.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Village of Dalton
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Projects Fund:

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

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Cemetery Endowment Fund The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Village's cemetery.

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 accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sanitary Sewer Fund This fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). 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 disbursements when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Village of Dalton
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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 2019 budgetary activity appears in Note 3.

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.

Capital Assets

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

Fund Balance

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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. Unclaimed monies are classified as nonspendable in the general fund.

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
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless Council amends the ordinance or 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.

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 Council or a Village official delegated that authority by resolution or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget in the general fund.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$833,090	\$886,808	\$53,718
Special Revenue	111,500	138,236	26,736
Capital Projects	595,000	552,297	(42,703)
Enterprise	890,000	926,850	36,850

Village of Dalton
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 - Budgetary Activity (continued)

2019 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$980,894	\$923,216	\$57,678
Special Revenue	164,663	117,613	47,050
Capital Projects	892,519	622,963	269,556
Enterprise	1,437,985	920,888	517,097

Note 4 – 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 at December 31, 2019 was as follows:

Demand deposits	2019
	\$1,280,817

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which 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 these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County in February each year. If the property owner elects to pay semiannually, the first half is due in February. The second half payment is due the following July.

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

Income Taxes

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
For the Year Ended December 31, 2019

Note 5 – Taxes (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.

Note 6 - Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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 is legally separate from its member governments.

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.

OPRM coverage programs 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. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018 (latest information available).

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

	<u>2018</u>
Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Village of Dalton
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2019.

Social Security

Nine Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2019.

Note 9 – Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan # 4512	\$1,029,862	0.00%
OWDA Loan # 5838	158,191	4.72%
OPWC Loan CP23E	17,285	0.00%
OPWC Loan CP10S	50,946	0.00%
OPWC Loan CP33U	462,028	0.00%
OPWC Loan CP40U	207,000	0.00%
Total	<u>\$1,925,312</u>	

Village of Dalton
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt (continued)

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. It is a 15-year loan at 4.72% interest, payable in semi-installments until 2027. Water and sewer receipts also collateralize this loan.

The 2003 OPWC (Ohio Public Works Commission) CP23E 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 2016 OPWC (Ohio Public Works Commission) CP10S loan is a no interest loan that was obtained to replace the East Schultz Street Sanitary Sewer. The loan will be paid in semi-annual installments over 15 years.

The 2017 OPWC (Ohio Public Works Commission) CP33U loan is a no interest loan that was obtained to improve the Sanitary Sewer trunk line. The loan will be paid in semi-annual installments over 30 years.

The 2019 OPWC (Ohio Public Works Commission) CP40U loan is a no interest loan that was obtained to provide for a booster station and water tank painting. The loan will be paid in semi-annual installments over 23 years.

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

Year Ending December 31:	OWDA # 4512	OWDA # 5838	OPWC # CP23E	OPWC # CP10S	OPWC # CP33U	OPWC # CP40U
2020	\$147,123	\$25,696	\$5,762	\$4,430	\$15,662	\$4,500
2021	147,123	25,839	5,762	4,430	15,662	9,000
2022	147,123	25,988	5,761	4,430	15,662	9,000
2023	147,123	26,145	0	4,430	15,662	9,000
2024	147,123	26,309	0	4,430	15,662	9,000
2025-2029	294,247	53,140	0	22,150	78,310	45,000
2030-2034	0	0	0	6,646	78,310	45,000
2035-2039	0	0	0	0	78,310	45,000
2040-2044	0	0	0	0	78,310	31,500
2045-2049	0	0	0	0	70,478	0
Total	<u>\$1,029,862</u>	<u>\$183,117</u>	<u>\$17,285</u>	<u>\$50,946</u>	<u>\$462,028</u>	<u>\$207,000</u>

Village of Dalton
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 10 – Contingent Liabilities

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Note 11 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**VILLAGE OF DALTON
WAYNE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts						
Property and Other Local Taxes	\$ 131,348	-	-	-	-	\$ 131,348
Municipal Income Tax	604,739	-	-	-	-	604,739
Intergovernmental	42,640	\$ 101,569	-	\$ 49,935	-	194,144
Charges for Services	44,643	20,730	-	-	-	65,373
Fines, Licenses and Permits	33,724	-	-	-	-	33,724
Earnings on Investments	703	136	-	1,185	-	2,024
Miscellaneous	17,775	4,771	-	2,015	-	24,561
Total Cash Receipts	<u>875,572</u>	<u>127,206</u>	<u>-</u>	<u>53,135</u>	<u>-</u>	<u>1,055,913</u>
Cash Disbursements						
Current:						
Security of Persons and Property	429,791	-	-	-	-	429,791
Public Health Services	4,873	18,733	-	-	-	23,606
Leisure Time Activities	15,565	-	-	-	-	15,565
Basic Utility Services	9,512	-	-	-	-	9,512
Transportation	105,262	90,110	-	-	-	195,372
General Government	128,118	1,250	-	-	-	129,368
Capital Outlay	-	-	-	518,691	-	518,691
Debt Service:						
Principal Retirement	-	-	\$ 17,000	-	-	17,000
Interest & Fiscal Charges	-	-	383	-	-	383
Total Cash Disbursements	<u>693,121</u>	<u>110,093</u>	<u>17,383</u>	<u>518,691</u>	<u>-</u>	<u>1,339,288</u>
Excess of Receipts Over (Under) Disbursements	182,451	17,113	(17,383)	(465,556)	-	(283,375)
Other Financing Receipts (Disbursements)						
Sale of Notes	-	-	-	384,106	-	384,106
Transfers In	-	-	17,383	149,589	-	166,972
Transfers Out	(166,972)	-	-	-	-	(166,972)
Other Financing Uses	(5,057)	-	-	-	-	(5,057)
Total Other Financing Receipts (Disbursements)	<u>(172,029)</u>	<u>-</u>	<u>17,383</u>	<u>533,695</u>	<u>-</u>	<u>379,049</u>
Net Change in Fund Cash Balances	10,422	17,113	-	68,139	-	95,674
Fund Cash Balances, January 1	<u>166,410</u>	<u>39,570</u>	<u>-</u>	<u>311,381</u>	<u>\$ 56,637</u>	<u>573,998</u>
Fund Cash Balances, December 31						
Nonspendable	-	-	-	-	56,358	56,358
Restricted	-	56,683	-	-	279	56,962
Assigned	176,832	-	-	379,520	-	556,352
Fund Cash Balances, December 31	<u>\$ 176,832</u>	<u>\$ 56,683</u>	<u>\$ -</u>	<u>\$ 379,520</u>	<u>\$ 56,637</u>	<u>\$ 669,672</u>

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 BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Proprietary Fund Types
	Enterprise Fund
Operating Cash Receipts:	
Charges for Services	\$ 803,065
Fines, Licenses and Permits	8,085
Miscellaneous	3,724
	814,874
<i>Total Operating Cash Receipts</i>	814,874
Operating Cash Disbursements	
Personal Services	132,871
Employee Fringe Benefits	48,301
Contractual Services	148,672
Supplies and Materials	97,260
	427,104
<i>Total Operating Cash Disbursements</i>	427,104
<i>Operating Income (Loss)</i>	387,770
Non-Operating Receipts (Disbursements):	
Special Assessments	3,900
Capital Outlay	(20,559)
Principal Retirement	(175,134)
Interest and Other Fiscal Charges	(7,611)
	(199,404)
<i>Total Non-Operating Receipts (Disbursements)</i>	(199,404)
Net Change in Fund Cash Balances	188,366
<i>Fund Cash Balance, January 1</i>	406,235
Fund Cash Balance, December 31	\$ 594,601

See accompanying Notes to the Financial Statements.

Village of Dalton
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of Dalton (the Village), Wayne County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including maintenance of roads, park operations, police services and water and sewer utilities. The Village contracts with the East Wayne Fire District to receive fire protection services.

Public Entity Risk Pool

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 6 to the financial statements provide additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Income Tax Fund has been mapped to the General Fund for the purpose of reporting total receipts and disbursements at year-end.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Village of Dalton
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

General Obligation Bond Fund This fund is used to accumulate resources for payment of the Series 2001 Various Purpose Bonds and Various Purpose Refunding Bonds, Series 2012.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village's Capital Projects fund accounts for income taxes for capital projects.

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

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Cemetery Endowment Fund The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Village's cemetery.

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 accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sanitary Sewer Fund This fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). 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 disbursements when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Village of Dalton
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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 2018 budgetary activity appears in Note 3.

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.

Capital Assets

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

Fund Balance

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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. Unclaimed monies are classified as nonspendable in the general fund.

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
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless Council amends the ordinance or 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.

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 Council or a Village official delegated that authority by resolution or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget in the general fund.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$779,243	\$875,572	\$96,329
Special Revenue	105,500	127,206	21,706
Debt Service	30,000	17,383	(12,617)
Capital Projects	632,500	586,830	(45,670)
Enterprise	730,000	818,774	88,774

Village of Dalton
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 - Budgetary Activity (continued)

2018 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$925,896	\$894,178	\$31,718
Special Revenue	139,276	113,612	25,664
Debt Service	30,000	17,383	12,617
Capital Projects	921,881	600,691	321,190
Enterprise	1,091,319	653,148	438,171

Note 4 – 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 at December 31, 2018 was as follows:

Demand deposits	2018
	\$1,264,273

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which 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 these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County in February each year. If the property owner elects to pay semiannually, the first half is due in February. The second half payment is due the following July.

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

Income Taxes

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
For the Year Ended December 31, 2018

Note 5 – Taxes (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.

Note 6 - Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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 is legally separate from its member governments.

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.

OPRM coverage programs 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 764 members as of December 31, 2017 (latest information available).

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.

Village of Dalton
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 - Risk Management (continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

	<u>2017</u>
Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2018.

Social Security

Ten Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2018.

Village of Dalton
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
OWDA Loan # 4512	\$1,176,985	0.00%
OWDA Loan # 5838	176,861	4.72%
OPWC Loan CP23E	23,047	0.00%
OPWC Loan CP10S	55,376	0.00%
OPWC Loan CP33U	427,107	0.00%
Total	\$1,859,376	

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. It is a 15-year loan at 4.72% interest, payable in semi-installments until 2027. Water and sewer receipts also collateralize this loan.

The 2003 OPWC (Ohio Public Works Commission) CP23E 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 2016 OPWC (Ohio Public Works Commission) CP10S loan is a no interest loan that was obtained to replace the East Schultz Street Sanitary Sewer. The loan will be paid in semi-annual installments over 15 years.

The 2017 OPWC (Ohio Public Works Commission) CP33U loan is a no interest loan that was obtained to improve phase II of the north sanitary sewer trunk line. The loan will be paid in semi-annual installments over 30 years. The project was ongoing as of the end of 2018.

The Various Purpose Refunding Bonds, Series 2012 of \$632,000 is in relation to the refinancing of the 1989 Mortgage Revenue Bonds that were issued to fund improvements to the Municipal Sanitary Sewer System and the 2001 Various Purpose Bonds that were issued to improve Main and Mill Streets and the acquisition of a building to house municipal offices. These bonds will be paid in annual installments until 2018. The Village’s taxing authority collateralized the portion related to the 2001 Various Purpose Bond Refunding. The Village has agreed to set utility rates sufficient to cover the debt service requirements for the portion related to the Mortgage Revenue Bond Refunding.

Village of Dalton
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt (continued)

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

Year Ending December 31:	OWDA 4512	# # 5838	OWDA # 5838	OPWC # CP23E	OPWC # CP10S	OPWC # CP33U
2019	\$147,123		\$25,560	\$5,762	\$4,430	\$7,831
2020	147,123		25,696	5,762	4,430	15,662
2021	147,123		25,839	5,762	4,430	15,662
2022	147,123		25,988	5,761	4,430	15,662
2023	147,123		26,145	0	4,430	15,662
2024-2028	441,370		79,449	0	22,150	78,310
2029-2033	0		0	0	11,076	78,310
2034-2038	0		0	0	0	78,310
2039-2043	0		0	0	0	78,310
2044-2048	0		0	0	0	43,388
2049-2053	0		0	0	0	0
Total	<u>\$1,176,985</u>		<u>\$208,677</u>	<u>\$23,047</u>	<u>\$55,376</u>	<u>\$427,107</u>

Note 10 – Contingent Liabilities

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village’s financial condition.

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Dalton, Wayne County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated December 28, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting that we consider a material weakness and significant deficiencies.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2019-001 described in the accompanying Schedule of Findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2019-002 and 2019-003 described in the accompanying Schedule of Findings to be significant deficiencies.

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 financial statement. However, opining 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 2019-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 28, 2020.

Village's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
December 28, 2020

**VILLAGE OF DALTON
WAYNE COUNTY
SCHEDULE OF FINDINGS
December 31, 2019 and 2018**

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

Finding Number 2019-001

Material Weakness - Financial Statement Presentation, Audit Adjustment and Reclassification

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

The Village did not always accurately post receipts and expenditures to the Village's accounting system and financial statements. Incorrect postings identified included the following:

- Recorded rental of Village property as charges for services instead of miscellaneous receipts.
- Recorded OPWC grants in the capital project fund as sale of notes instead of intergovernmental receipts.
- Recorded debt proceeds in the capital project fund as intergovernmental receipts instead of proceeds of loans.
- Recorded payments of fringe benefits in the Enterprise Fund as personal services instead of fringe benefits.
- Recorded the interest portion of a cemetery endowment as nonspendable instead of restricted in the permanent fund.
- Payment of principal was recorded as interest in the enterprise fund.
- In 2019 and 2018, \$140,424 and \$147,804 respectively, of Assigned Fund Balance related to subsequent year's appropriations exceeding estimated receipts was classified as Unassigned Fund Balance in the General Fund.
- In 2019 and 2018, \$323,278 and \$379,519 respectively, of Restricted Fund Balance related to grants (externally imposed by grantor) and transfers was classified as Assigned Fund Balance in the Capital Project Fund.
- OPWC direct payments to vendors were not recorded thereby understating revenues and expenses
- Recorded several OPWC direct payments to vendors in the wrong accounting period.
- The Village's notes to the financial statements were not complete and accurate. Changes were made to information contained within the notes that were prepared by the Village.

The accompanying financial statements and the Village's records have been adjusted to properly reflect these transactions. Other various immaterial posting errors were noted and communicated to management as well.

**VILLAGE OF DALTON
WAYNE COUNTY
SCHEDULE OF FINDINGS-Continued
December 31, 2019 and 2018**

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

Finding Number 2019-001 (continued)

Material Weakness - Financial Statement Presentation, Audit Adjustment and Reclassification (continued)

Not posting receipts and disbursements accurately to the ledgers could result in the financial statements requiring audit reclassifications. Furthermore, inaccurate accounting records could make it difficult for the Village Council to effectively monitor the Village's activities and make decisions or identify misstatements or errors in a timely manner. Additionally, without accurate and complete notes to the financial statements, the Village is at risk of omitting information important to understanding the financial position of the Village.

The Village should exercise due care when posting receipts to ensure receipts are posted to the correct funds. This will help more accurately reflect the Village's financial activity and will aid in more accurate financial reporting. Management can refer to the Village Officer's Handbook, the Uniform Accounting Network manual, Governmental Accounting Standards Board Statement 54, Audit Bulletin 2011-004 and other Auditor of State guidance to properly classify its transactions.

Management's Response: See Corrective Action Plan.

Finding Number 2019-002

Significant Deficiency - Segregation of Duties

Ohio Admin. Code § 117-2-01(D)(4) states, in part, when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The former Fiscal officer receipted all cash and checks received from several departments within the Village, posted all payments to the utility Department Billing System and completed the receipts drop off to the bank without adequate supervision. The Village has not established adequate compensating controls to mitigate the risk of the lack of segregation of duties. By ensuring that either adequate segregation of duties or compensating controls have been implemented, the Village's cash receipts would be better safeguarded against fraud or misstatement.

We recommend that duties related to the collection and deposit of revenue be segregated to ensure that no individual has control over all phases of the process. Understanding it is not always possible to have enough staff to adequately segregate duties, management and Council should take a more active role in monitoring collections, such as examining the contents of deposits, reviewing collection records, and requiring individuals independent of specific transactions periodically review the work performed for accuracy.

Management's Response: See Corrective Action Plan.

**VILLAGE OF DALTON
WAYNE COUNTY
SCHEDULE OF FINDINGS-Continued
December 31, 2019 and 2018**

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

Finding Number 2019-003

Noncompliance and Significant Deficiency: Timely deposit of public money, Treasurer’s Office

Ohio Rev. Code § 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day following the date of receipt.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the first business day following the date of receipt.

The finance department receives significant amounts of cash and checks each year. During our understanding of the client and its activities we were made aware of numerous checks collected by the former fiscal officer that were not deposited in a timely fashion. Some of the checks were held for extended period of time contrary to recommended practices before being eventually deposited by the mayor and/or interim fiscal officer. This matter has been provided to the Auditor of State for further review.

We recommend that all money collected by the various departments within the Village be deposited on the business day following the day of receipt, or within 3 business days if less than \$1,000 and can be properly safeguarded (kept in locked safe or lockbox). Further, we recommend the Fiscal Officer put in place policies and procedures to ensure that all money collected at any of the cash collection points be deposited in a timely manner, and properly reported to the Fiscal Officer for recording in the Village's accounting records. At a minimum, the Fiscal Officer should require and document a monthly reconciliation with each department/cash collection point that includes supporting documentation. In addition, we recommend the parks and recreation department use their existing receipt books on a consistent basis to better track its revenue.

Management’s Response: See Corrective Action Plan.

**VILLAGE OF DALTON
WAYNE COUNTY**

**CORRECTIVE ACTION PLAN
(Prepared by Management)
December 31, 2019 and 2018**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	<p>The Village of Dalton converted from the previous accounting and information system (Government Accounting Solutions) to the State of Ohio’s UAN system as of June 1, 2020. The UAN system provides strong internal controls for the day-to-day operation of the fiscal office and financial reporting for management and elected officials that is clear and transparent. While the current fiscal office staff continues to learn financial operations and procedures, the combination of a good accounting system and a commitment to accuracy should reduce the risk of inaccurate receipts and expenditures postings.</p> <p>Additionally, the complete turnover of staff in the fiscal office and mayoral position has allowed for many changes and improvements in every facet of fiscal operations. Fresh eyes are looking at practices and procedures in the office to identify changes which will improve operations.</p>	Immediately	Neena Miller, Fiscal Officer
2019-002	<p>Duties related to the collection and deposit of revenue are now segregated to ensure that no one individual has control over all phases of the process. In addition to the Fiscal Officer, the Village has hired a BPA Clerk. The Fiscal Officer and BPA Clerk are cross-trained on the Utility and Tax programs so both individuals can process payments in the systems. In addition, utility and tax sweep accounts have been set up at Farmers National Bank to allow for more accountability and additional checks and balances with utility and tax deposits. Under this arrangement, the BPA clerk deposits utility and tax payments into the sweep accounts under the oversight of the Fiscal Officer.</p>	Immediately	Neena Miller, Fiscal Officer

**VILLAGE OF DALTON
WAYNE COUNTY**

**CORRECTIVE ACTION PLAN (Continued)
(Prepared by Management)
December 31, 2019 and 2018**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-003	<p>It is now the policy and practice of the Village’s fiscal office to deposit all money collected from Village sources on the business day following the day of receipt, and no later than 3 business days after receipt. In addition, all monies received are recorded manually upon receipt in the pay in books located in the fiscal office.</p> <p>The fiscal office established daily hours of operation, five days per week. As a part of the daily office routine all tax and utility payments are processed daily, with checks and cash deposited a minimum of once per day. This assures that all monies are deposited on the day of or the day following receipt. The Village is located across the street from the bank, so late day payments can still be placed in the bank’s drop box after bank hours. As a final precaution, the Village has purchased a small, locking safe for the fiscal office where daily receipts less than \$1,000 can be safeguarded until deposited the next business day.</p> <p>Separate cash receipt books are maintained to document any cash transaction, including park pavilion rentals, permit applications, and cash utility payments.</p> <p>Bank accounts (primary, tax, and utility sweep accounts) are balance monthly and financial reports are provided to Village Council members on a monthly basis, at a minimum, or upon request at any time.</p>	Immediately	Neena Miller, Fiscal Officer

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF DALTON

WAYNE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 3/2/2021

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