



Mary Taylor, CPA  
Auditor of State



**VILLAGE OF DILLONVALE  
JEFFERSON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis .....	3
Statement of Net Assets – Modified Cash Basis December 31, 2006 .....	10
Statement of Activities – Modified Cash Basis December 31, 2006.....	11
Statement of Modified Cash Basis Assets and Fund Balances Governmental Funds December 31, 2006.....	12
Statement of Receipts, Disbursements and Changes in Modified – Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2006 .....	13
Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual – Budget Basis General Fund For the Year ended December 31, 2006 .....	14
Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual – Budget Basis Street Construction and Maintenance Fund For the Year ended December 31, 2006 .....	15
Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual – Budget Basis FEMA Fund For the Year ended December 31, 2006 .....	16
Statement of Fund Net Assets – Modified Cash Basis Proprietary Funds For the Year Ended December 31, 2006.....	17
Statement of Cash Receipts, Disbursements and Changes in Net Assets Modified Cash Basis- Proprietary Funds For the Year Ended December 31, 2006.....	18
Statement of Fiduciary Net Assets – Modified Cash Basis- Fiduciary Fund For the Year Ended December 31, 2006.....	19
Statement of Net Assets – Modified Cash Basis December 31, 2005 .....	20
Statement of Activities – Modified Cash Basis December 31, 2005.....	21
Statement of Modified Cash Basis Assets and Fund Balances Governmental Funds December 31, 2005.....	22
Statement of Receipts, Disbursements and Changes in Modified – Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2005.....	23

VILLAGE OF DILLONVALE  
JEFFERSON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual – Budget Basis General Fund For the Year ended December 31, 2005 .....	24
Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual – Budget Basis Street Construction and Maintenance Fund For the Year ended December 31, 2005 .....	25
Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual – Budget Basis FEMA Fund For the Year ended December 31, 2005 .....	26
Statement of Fund Net Assets – Modified Cash Basis Proprietary Funds For the Year Ended December 31, 2005 .....	27
Statement of Cash Receipts, Disbursements and Changes in Net Assets Modified Cash Basis- Proprietary Funds For the Year Ended December 31, 2005 .....	28
Statement of Fiduciary Net Assets – Modified Cash Basis- Fiduciary Fund For the Year Ended December 31, 2005 .....	29
Notes to the Financial Statements .....	30
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	47
Schedule of Findings .....	49



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Dillonvale  
Jefferson County  
PO Box 546  
Dillonvale, Ohio 43917

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the, each major fund, and the aggregate remaining fund information of the Village of Dillonvale, Jefferson County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. We noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Dillonvale, Jefferson County, Ohio, as of December 31, 2006 and 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Street Construction and Maintenance Fund, and FEMA Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2007, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

September 12, 2007

Village of Dillonvale  
Management's Discussion and Analysis  
For the Years Ended  
December 31, 2006 and 2005  
Unaudited

---

This discussion and analysis of the Village of Dillonvale's financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2006 2005, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

### **Highlights**

Key highlights for 2006 and 2005 are as follows:

Net assets of governmental activities increased minimally by \$5,491, or 4 percent, a minor change from 2005 to 2006.

The Village's general receipts are primarily property taxes. These receipts represent respectively 37 percent of the total cash received for governmental activities during 2006 and 17 percent for 2005. Property tax receipts for 2006 remained consistent compared to 2005 as development within the community remained the same.

The water operation, one of the Village's business type activities, increased its revenue by 9 percent from 2005 to 2006 due to a new base rate for water service for all customers. The sanitation operation, the other Village's business-type activity, broke even for the years 2005 and 2006.

### **Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Government's modified cash basis of accounting.

### **Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Government as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Village of Dillonvale  
Management's Discussion and Analysis  
For the Years Ended  
December 31, 2006 and 2005  
Unaudited

---

**Reporting the Village as a Whole**

The statements of net assets and the statements of activities reflect how the Village did financially during 2006 and 2005 within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors, as well, such as the Village's property tax base, the condition of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities - Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity - The Village has two business-type activities, the provision of water and sanitation services. Business-type activities are financed by a fee charged to the customers receiving the service.

**Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village has three major governmental funds in 2006: General Fund, Street Construction Maintenance and Repair Fund and FEMA #1556 Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.



Village of Dillonvale  
Management's Discussion and Analysis  
For the Years Ended  
December 31, 2006 and 2005  
Unaudited

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has four major enterprise funds: Water Operating Fund, USDA Loan Fund, USDA Reserve Fund and Garbage Fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2006 compared to 2005 on a modified cash basis:

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Cash and Cash Equivalents	\$122,684	\$117,686	\$49,700	\$47,440	\$172,384	\$165,126
Investments	4,458	3,965	188,775	177,253	193,233	181,218
Total Assets	\$127,142	\$121,651	\$238,475	\$224,693	\$365,617	\$346,344
<b>Net Assets</b>						
Restricted for:						
Other Purposes	70,141	75,120			70,141	75,120
Unrestricted	57,001	46,531	238,475	224,693	295,476	271,224
Total Net Assets	\$127,142	\$121,651	\$238,475	\$224,693	\$365,617	\$346,344

As mentioned previously, net assets of governmental activities increased \$5,490 or 4 percent during 2006. This is not a substantial amount. Our operations decreased substantially from the previous year and the primary reasons contributing to the decreases are as follows:

- Decrease in salary from one full time police officer to part time with unemployment compensation ending.
- The rebuilding and reconstruction of our recreation center was completed in 2005 along with the restoration of the baseball field and fence.
- In 2005 the basketball and tennis court areas were asphalted.
- These expenses were exclusive to 2005 and were not incurred in 2006.

The net assets of the business type activities increased by \$13,782. This is due to the increase in water operations mentioned earlier. The Village increased the base rate for water service for all customers in 2006 resulting in a 9 percent increase in water operating revenue.

Table 2 reflects the changes in net assets on a modified cash basis in 2006 and 2005 for governmental activities, business-type activities and total primary government.

Village of Dillonvale  
Management's Discussion and Analysis  
For the Years Ended  
December 31, 2006 and 2005  
Unaudited

(Table 2)

**Changes in Net Assets**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$10,047	\$10,963	\$209,783	\$195,898	\$219,830	\$206,861
Operating Grants and Contributions	42,610	130,317			42,610	130,317
Capital Grants and Contributions		109,763				109,763
<b>Total Program Receipts</b>	<b>52,657</b>	<b>251,043</b>	<b>209,783</b>	<b>195,898</b>	<b>262,440</b>	<b>446,941</b>
General Receipts:						
Property and Other Local Taxes	67,842	61,035			67,842	61,035
Cable Franchise Fees	5,207				5,207	0
Grants and Entitlements Not Restricted to Specific Programs	42,436	41,155		300	42,436	41,155
Interest	7,366	6,157	407	246	7,773	6,403
Miscellaneous	8,502	10,146	111	507	8,613	10,653
<b>Total General Receipts</b>	<b>131,353</b>	<b>118,493</b>	<b>518</b>	<b>1,053</b>	<b>131,871</b>	<b>119,546</b>
<b>Total Receipts</b>	<b>184,010</b>	<b>369,536</b>	<b>210,301</b>	<b>196,951</b>	<b>394,311</b>	<b>566,487</b>
Disbursements:						
General Government	48,971	76,215			48,971	76,215
Security of Persons and Property:	41,103	52,772			41,103	52,772
Public Health Services	17,478	15,454	52,520	57,867	69,998	73,321
Leisure Time Activities	11,812	22,439			11,812	22,439
Community Environment	11,330	37,262			11,330	37,262
Transportation	36,231	34,960			36,231	34,960
Capital Outlay		111,679				111,679
Principal Retirement	4,648	6,361			4,648	6,361
Interest and Fiscal Charges	724	1,401			724	1,401
Water			150,222	155,095	150,222	155,095
<b>Total Disbursements</b>	<b>172,297</b>	<b>358,543</b>	<b>202,742</b>	<b>212,962</b>	<b>375,039</b>	<b>571,505</b>
Excess (Deficiency) Before Transfers	11,713	10,993	7,559	(16,011)	19,272	(5,018)
Transfers	(6,222)	(6,795)	6,222	6,795	0	0
<b>Increase (Decrease) in Net Assets</b>	<b>5,491</b>	<b>4,198</b>	<b>13,781</b>	<b>(9,216)</b>	<b>19,272</b>	<b>(5,018)</b>
Net Assets, January 1	121,651	117,453	224,694	233,910	346,345	351,363
<b>Net Assets, December 31</b>	<b>\$127,142</b>	<b>\$121,651</b>	<b>\$238,475</b>	<b>\$224,694</b>	<b>\$365,617</b>	<b>\$346,345</b>

Village of Dillonvale  
Management's Discussion and Analysis  
For the Years Ended  
December 31, 2006 and 2005  
Unaudited

---

In 2006, program receipts represent 67 percent of total receipts. In 2005, program receipts represent 79 percent of total receipts. Program receipts are primarily comprised of restricted intergovernmental receipts such as operating grants, capital grants, motor vehicle license and gas tax money, and charges for water and sanitation services.

In 2006, general receipts represent 33 percent of the Village's total receipts. Of this amount, 52 percent are property and local taxes. State and federal grants and entitlements make up the majority of the balance of the general receipts (33 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

In 2005, general receipts represent 21 percent of the Governments total receipts. Of this amount, 52 percent are property and local taxes. State and federal grants and entitlements make up the majority of the balance of the general receipts (35 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Government and the support services provided for the other Government activities. These include the costs of council, mayor, mayor's court clerk, clerk-treasurer, solicitor and operation of the city building. Since general government costs do not represent direct services to residents, the costs have been limited to 28 percent of governmental disbursements in 2006 and the costs have been limited to 21 percent of the governmental disbursements in 2005.

Security of persons and property are the costs of police protection and street lighting; public health service are the costs of maintaining the cemetery; leisure time activities are the costs of maintaining the recreation center, parks and playing fields; and transportation are the costs of road repair and maintenance.

### **Governmental Activities**

If you look at the Statement of Activities on pages 12 and 22, you will see that the first column lists the major services provided by the Government. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and security of persons and property, which account for 21 and 24 percent of all governmental disbursements, respectively in 2006 and 10 percent and 15 percent in 2005. General government also represents a significant cost, about 28 percent in 2006 and 21 percent in 2005. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which is paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Village of Dillonvale  
Management's Discussion and Analysis  
For the Years Ended  
December 31, 2006 and 2005  
Unaudited

(Table 3)

**Governmental Activities**

	Total Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2006	Net Cost of Services 2005
General Government	\$48,971	\$76,215	(\$43,366)	(\$69,094)
Security of Persons and Property	41,103	52,772	(41,103)	(52,772)
Public Health Services	17,478	15,454	(17,478)	(15,454)
Leisure Time Activities	11,812	22,439	(8,696)	(11,303)
Community Environment	11,330	37,262	(6,853)	48,652
Basic Utilities			1,326	1,056
Transportation	36,231	34,960	1,902	1,093
Capital Outlay		111,679		(1,916)
Principal Retirement	4,648	6,361	(4,648)	(6,361)
Interest and Fiscal Charges	724	1,401	(724)	(1,401)
<b>Total Expenses</b>	<b>\$172,297</b>	<b>\$358,543</b>	<b>(\$119,640)</b>	<b>(\$107,500)</b>

The dependence upon property tax receipts is apparent as over 69 percent of governmental activities are supported through general receipts in 2006 and 30 percent are supported through general receipts in 2005.

**Business-type Activities**

The water and sanitation operations of the Village are relatively small. The water department replaced all water lines in the Village within the last ten years but the meters are aging and need to be replaced. With this in mind, the village increased the base rate for water service to increase revenue by 9% to help cover the cost. The sanitation department had major repairs to the garbage packer. Village Council applied for a grant/loan from USDA for a new garbage packer.

**The Village's Funds**

In 2006, total governmental funds had receipts of \$184,010 and disbursements of \$172,297 in 2006. The General Fund remained relatively stable. The fund balance of Governmental Funds increased \$5,491, a minor change from the prior year.

In 2005, the total governmental funds had receipts of \$369,536 and disbursements of \$358,543. The greatest change within governmental funds occurred in the FEMA #1556 Fund. The Village received FEMA funds for disaster relief for the 2004 flood. The rebuilding and reconstruction of our recreation center was completed in 2005.

General Fund receipts were more than disbursements by \$10,469 in 2006 indicating that the General Fund remained relatively stable. It was the recommendation of the finance committee and the administration that no action be taken at this time. We plan on reviewing our finances periodically and if warranted will reduce spending in all departments.

**General Fund Budgeting Highlights**

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Village of Dillonvale  
Management's Discussion and Analysis  
For the Years Ended  
December 31, 2006 and 2005  
Unaudited

---

During 2006 and 2005, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to unexpected slow growth in tax receipts. The difference between final budgeted receipts and actual receipts was not significant.

2006 final disbursements were budgeted at \$148,290 in the General Fund while actual disbursements were \$100,023 for the General Fund. Although receipts failed to live up to expectations, appropriations were not reduced. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

2005 final disbursements were budgeted at \$195,850 in the General Fund while actual disbursements were \$154,610. Appropriations were increased due to the rehabilitation of the recreation center and city building.

**Debt Administration**

**Debt**

At December 31, 2006, the Village's outstanding debt included \$843,500 in general obligation bonds issued for improvements to our water system and \$20,225 in loans for vehicles. For further information regarding the Village's debt, refer to Note 12 to the basic financial statements.

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on property taxes and have very little industry to support the tax base. We review our finances periodically and if warranted will reduce spending in all departments.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Government's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Danene Hutkay, Clerk-Treasurer, Village of Dillonvale, P.O. Box 546, Dillonvale, Ohio 43917.

**VILLAGE OF DILLONVALE, JEFFERSON COUNTY**  
*Statement of Net Assets - Modified Cash Basis*  
 December 31, 2006

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$122,684	\$49,700	\$172,384
Investments	4,458	188,775	193,233
<i>Total Assets</i>	<u>127,142</u>	<u>238,475</u>	<u>365,617</u>
<b>Net Assets</b>			
Restricted for:			
Other Purposes	70,141	0	70,141
Unrestricted	57,001	238,475	295,476
<i>Total Net Assets</i>	<u>\$127,142</u>	<u>\$238,475</u>	<u>\$365,617</u>

See accompanying notes to the basic financial statements

**VILLAGE OF DILLONVALE, JEFFERSON COUNTY**  
*Statement of Activities - Modified Cash Basis*  
For the Year Ended December 31, 2006

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		Total
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>							
Security of Persons and Property	\$41,103	\$0	\$0	\$0	(\$41,103)	\$0	(\$41,103)
Public Health Services	17,478	0	0	0	(17,478)	0	(17,478)
Leisure Time Activities	11,812	3,116	0	0	(8,696)	0	(8,696)
Community Environment	11,330	0	4,477	0	(6,853)	0	(6,853)
Basic Utility Services	0	1,326	0	0	1,326	0	1,326
Transportation	36,231	0	38,133	0	1,902	0	1,902
General Government	48,971	5,605	0	0	(43,366)	0	(43,366)
Capital Outlay	0	0	0	0	0	0	0
Debt Service:							
Principal	4,648	0	0	0	(4,648)	0	(4,648)
Interest	724	0	0	0	(724)	0	(724)
<b>Total Governmental Activities</b>	<b>172,297</b>	<b>10,047</b>	<b>42,610</b>	<b>0</b>	<b>(119,640)</b>	<b>0</b>	<b>(119,640)</b>
<b>Business Type Activities</b>							
Water Operating	97,737	154,288	0	0	0	56,551	56,551
USDA LOAN Enterprise Debt Service	48,930	0	0	0	0	(48,930)	(48,930)
ISSUE II Enterprise Debt Service	1,264	0	0	0	0	(1,264)	(1,264)
SECURITY DEPOSITS Enterprise Fund	2,291	1,985	0	0	0	(306)	(306)
Sanitation Enterprise Fund	52,520	53,510	0	0	0	990	990
<b>Total Business Type Activities</b>	<b>202,742</b>	<b>209,783</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,041</b>	<b>7,041</b>
<b>Total Primary Government</b>	<b>375,039</b>	<b>219,830</b>	<b>42,610</b>	<b>0</b>	<b>(119,640)</b>	<b>7,041</b>	<b>(112,599)</b>
<b>General Receipts</b>							
Property Taxes					65,609	0	65,609
Other Taxes					2,233	0	2,233
Grants and Entitlements not Restricted to Specific Programs					42,436	0	42,436
Cable Franchise Fee					5,207	0	5,207
Earnings on Investments					7,366	407	7,773
Miscellaneous					8,502	111	8,613
<b>Total General Receipts</b>					<b>131,353</b>	<b>518</b>	<b>131,871</b>
Transfers					(6,222)	6,222	0
<b>Total General Receipts, Special &amp; Extraordinary Items, Transfers and Advances</b>					<b>125,131</b>	<b>6,740</b>	<b>131,871</b>
Change in Net Assets					5,491	13,781	19,272
<b>Net Assets Beginning of Year</b>					<b>121,651</b>	<b>224,693</b>	<b>346,344</b>
<b>Net Assets End of Year</b>					<b>\$127,142</b>	<b>\$238,474</b>	<b>\$365,616</b>

See accompanying notes to the basic financial statements

**VILLAGE OF DILLONVALE, JEFFERSON COUNTY**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2006*

	GENERAL	STREET CONST. MAINT.REP.	FEMA #1556	ISSUE II	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$52,543	\$26,814	\$24,042	\$0	\$19,286	\$122,685
Investments	4,458	0	0	0	0	4,458
<i>Total Assets</i>	<u>57,001</u>	<u>26,814</u>	<u>24,042</u>	<u>0</u>	<u>19,286</u>	<u>127,143</u>
<b>Fund Balances</b>						
Reserved:						
Reserved for Encumbrances	1,602	219	92	0	781	2,694
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	55,399	0	0	0	0	55,399
Special Revenue Funds	0	26,595	23,949	0	18,505	69,049
<i>Total Fund Balances</i>	<u>\$57,001</u>	<u>\$26,814</u>	<u>\$24,041</u>	<u>\$0</u>	<u>\$19,286</u>	<u>\$127,142</u>

See accompanying notes to the basic financial statements



**VILLAGE OF DILLONVALE, JEFFERSON COUNTY**  
*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2006*

	GENERAL	STREET CONST. MAINT.REP.	FEMA #1556	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>Receipts</b>					
Property and Other Local Taxes	\$48,122	\$0	\$0	\$19,720	\$67,842
Intergovernmental	35,992	28,919	4,477	13,969	83,357
Special Assessments	0	0	0	1,688	1,688
Charges for Services	4,442	0	0	0	4,442
Fines, Licenses and Permits	10,688	0	0	125	10,813
Earnings on Investments	7,366	0	0	0	7,366
Miscellaneous	5,520	0	0	0	5,520
<b>Total Receipts</b>	<b>112,130</b>	<b>28,919</b>	<b>4,477</b>	<b>35,502</b>	<b>181,028</b>
<b>Disbursements</b>					
Current:					
Security of Persons and Property	33,112	0	0	7,991	41,103
Public Health Services	1,000	0	0	16,478	17,478
Leisure Time Activities	11,665	0	0	147	11,812
Community Environment	0	0	11,255	75	11,330
Transportation	2,094	28,661	0	5,476	36,231
General Government	48,971	0	0	0	48,971
Capital Outlay	0	0	0	0	0
Debt Service:					
Principal Retirement	1,332	0	0	3,316	4,648
Interest and Fiscal Charges	247	0	0	477	724
<b>Total Disbursements</b>	<b>98,421</b>	<b>28,661</b>	<b>11,255</b>	<b>33,960</b>	<b>172,297</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>13,709</b>	<b>258</b>	<b>(6,778)</b>	<b>1,542</b>	<b>8,731</b>
Other Financing Sources (Uses)					
Transfers In	(6,222)	0	0	0	(6,222)
Transfers Out	0	0	0	0	0
Other Financing Sources	2,982	0	0	0	2,982
<b>Total Other Financing Sources (Uses)</b>	<b>(3,240)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,240)</b>
<b>Net Change in Fund Balances</b>	<b>10,469</b>	<b>258</b>	<b>(6,778)</b>	<b>1,542</b>	<b>5,491</b>
Fund Balances Beginning of Year	46,531	26,556	30,820	17,744	121,651
<b>Fund Balances End of Year</b>	<b>\$57,000</b>	<b>\$26,814</b>	<b>\$24,042</b>	<b>\$19,286</b>	<b>\$127,142</b>

See accompanying notes to the basic financial statements

**VILLAGE OF DILLONVALE, JEFFERSON COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$54,534	\$48,123	\$48,122	(\$1)
Intergovernmental	36,030	34,483	35,992	1,509
Charges for Services	6,843	4,387	4,442	55
Fines, Licenses and Permits	15,180	10,898	10,688	(210)
Earnings on Investments	6,100	5,556	7,366	1,810
Miscellaneous	0	5,520	5,520	0
<i>Total receipts</i>	118,687	108,967	112,130	3,163
<b>Disbursements</b>				
Current:				
Security of Persons and Property	36,863	36,864	33,998	2,866
Public Health Services	1,000	1,000	1,000	0
Leisure Time Activities	14,435	15,935	11,665	4,270
Transportation	9,253	9,253	2,094	7,159
General Government	96,688	83,659	49,687	33,972
Capital Outlay	0	0	0	0
Debt Service:				
Principal Retirement	1,332	1,332	1,332	0
Interest and Fiscal Charges	247	247	247	0
<i>Total Disbursements</i>	159,818	148,290	100,023	48,267
<i>Excess of Receipts Over (Under) Disbursements</i>	(41,131)	(39,323)	12,107	51,430
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(5,400)	(9,979)	(6,222)	3,757
Other Financing Sources	0	2,982	2,982	0
<i>Total Other Financing Sources (Uses)</i>	(5,400)	(6,997)	(3,240)	3,757
<i>Net Change in Fund Balance</i>	(46,531)	(46,320)	8,867	55,187
<i>Fund Balance Beginning of Year</i>	46,396	46,396	46,396	0
<i>Prior Year Encumbrances Appropriated</i>	135	135	135	0
<i>Fund Balance End of Year</i>	\$0	\$211	\$55,398	\$55,187

See accompanying notes to the basic financial statements

**VILLAGE OF DILLONVALE, JEFFERSON COUNTY**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual -Budget Basis  
 Street Construction and Maintenance Fund  
 For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$17,000	\$26,730	\$28,919	\$2,189
<i>Total receipts</i>	<u>17,000</u>	<u>26,730</u>	<u>28,919</u>	<u>2,189</u>
<b>Disbursements</b>				
Current:				
Transportation	43,556	53,286	28,880	24,406
<i>Total Disbursements</i>	<u>43,556</u>	<u>53,286</u>	<u>28,880</u>	<u>24,406</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(26,556)</u>	<u>(26,556)</u>	<u>39</u>	<u>26,595</u>
<i>Net Change in Fund Balance</i>	(26,556)	(26,556)	39	26,595
<i>Fund Balance Beginning of Year</i>	26,556	26,556	26,556	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$26,595</u>	<u>\$26,595</u>

See accompanying notes to the basic financial statements

**VILLAGE OF DILLONVALE, JEFFERSON COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*FEMA Fund*  
*For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$0	\$4,477	\$4,477	\$0
<i>Total receipts</i>	0	4,477	4,477	0
<b>Disbursements</b>				
Current:				
Community Environment	30,820	35,297	11,348	23,949
<i>Total Disbursements</i>	30,820	35,297	11,348	23,949
<i>Excess of Receipts Over (Under) Disbursements</i>	(30,820)	(30,820)	(6,871)	23,949
<i>Net Change in Fund Balance</i>	(30,820)	(30,820)	(6,871)	23,949
<i>Fund Balance Beginning of Year</i>	30,820	30,820	30,820	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$23,949	\$23,949

See accompanying notes to the basic financial statements

**VILLAGE OF DILLONVALE, JEFFERSON COUNTY**  
*Statement of Fund Net Assets - Modified Cash Basis*  
*Proprietary Funds*  
*December 31, 2006*

	WATER OPERATING	USDA LOAN ENTERPRISE	USDA RESERVE ENTERPRISE	GARBAGE ENTERPRISE FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS
Assets						
Equity in Pooled Cash and Cash Equivalents	\$23,369	\$0	\$0	\$21,645	\$4,686	\$49,700
Investments	148,247	2,550	29,406	8,572	0	188,775
Total Assets	<u>171,616</u>	<u>2,550</u>	<u>29,406</u>	<u>30,217</u>	<u>4,686</u>	<u>238,475</u>
Net Assets						
Restricted for:						
Unrestricted	171,616	2,550	29,406	30,217	4,686	238,475
Total Net Assets	<u>\$171,616</u>	<u>\$2,550</u>	<u>\$29,406</u>	<u>\$30,217</u>	<u>\$4,686</u>	<u>\$238,475</u>

See accompanying notes to the basic financial statements

**VILLAGE OF DILLONVALE, JEFFERSON COUNTY**  
*Statement of Cash Receipts,  
Disbursements and Changes in Fund Net Assets - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2006*

	WATER OPERATING TOTAL	USDA LOAN ENTERPRISE TOTAL	USDA RESERVE ENTERPRISE TOTAL	GARBAGE ENTERPRISE FUND TOTAL	OTHER ENTERPRISE FUNDS TOTAL	TOTAL ENTERPRISE FUNDS
<b>Operating Receipts</b>						
Charges for Services	\$154,147	\$0	\$0	\$53,264	\$1,985	\$209,396
<i>Total Operating Receipts</i>	<u>154,147</u>	<u>0</u>	<u>0</u>	<u>53,264</u>	<u>1,985</u>	<u>209,396</u>
<b>Operating Disbursements</b>						
Personal Services	52,163	0	0	18,981	0	71,144
Employee Fringe Benefits	8,807	0	0	3,238	0	12,045
Contractual Services	1,547	0	0	3	0	1,550
Supplies and Materials	33,959	0	0	24,275	0	58,234
Other	0	0	0	0	2,291	2,291
<i>Total Operating Disbursements</i>	<u>96,476</u>	<u>0</u>	<u>0</u>	<u>46,497</u>	<u>2,291</u>	<u>145,264</u>
<i>Operating Income (Loss)</i>	<u>57,671</u>	<u>0</u>	<u>0</u>	<u>6,767</u>	<u>(306)</u>	<u>64,132</u>
<b>Non-Operating Receipts (Disbursements)</b>						
Special Assessments	141	0	0	246	0	387
Earnings on Investments	0	0	0	407	0	407
Sale of Fixed Assets	0	0	0	0	0	0
Miscellaneous Receipts	111	0	0	0	0	111
Capital Outlay	0	0	0	0	0	0
Principal Payments	(1,082)	(10,500)	0	(2,517)	0	(14,099)
Interest and Fiscal Charges	(179)	(38,430)	0	(3,505)	(1,264)	(43,378)
Other Financing Sources	0	0	0	0	0	0
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,009)</u>	<u>(48,930)</u>	<u>0</u>	<u>(5,369)</u>	<u>(1,264)</u>	<u>(56,572)</u>
<i>Income (Loss) before Transfers and Advances</i>	<u>56,662</u>	<u>(48,930)</u>	<u>0</u>	<u>1,398</u>	<u>(1,570)</u>	<u>7,560</u>
Transfers In	6,222	48,928	4,895	0	1,264	61,309
Transfers Out	(55,087)	0	0	0	0	(55,087)
<i>Change in Net Assets</i>	<u>7,797</u>	<u>(2)</u>	<u>4,895</u>	<u>1,398</u>	<u>(306)</u>	<u>13,782</u>
<i>Net Assets Beginning of Year</i>	<u>163,819</u>	<u>2,552</u>	<u>24,511</u>	<u>28,819</u>	<u>4,992</u>	<u>224,693</u>
<i>Net Assets End of Year</i>	<u>\$171,616</u>	<u>\$2,550</u>	<u>\$29,406</u>	<u>\$30,217</u>	<u>\$4,686</u>	<u>\$238,475</u>

See accompanying notes to the basic financial statements

**VILLAGE OF DILLONVALE, JEFFERSON COUNTY**  
*Statement of Fiduciary Net Assets - Modified Cash Basis*  
*Fiduciary Funds*  
*December 31, 2006*

---

---

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$170
<i>Total Assets</i>	<u>170</u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	<u>170</u>
<i>Total Net Assets</i>	<u>\$170</u>

See accompanying notes to the basic financial statements

**VILLAGE OF DILLONVALE, JEFFERSON COUNTY**  
*Statement of Net Assets - Modified Cash Basis*  
 December 31, 2005

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$117,686	\$47,440	\$165,126
Investments	3,965	177,253	181,218
<i>Total Assets</i>	<u>121,651</u>	<u>224,693</u>	<u>346,344</u>
<b>Net Assets</b>			
Restricted for:			
Other Purposes	75,120		75,120
Unrestricted	46,531	224,693	271,224
<i>Total Net Assets</i>	<u>\$121,651</u>	<u>\$224,693</u>	<u>\$346,344</u>

See accompanying notes to the basic financial statements



**VILLAGE OF DILLONVALE, JEFFERSON COUNTY**  
*Statement of Activities - Modified Cash Basis*  
*For the Year Ended December 31, 2005*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		Total
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>							
Security of Persons and Property	\$52,772	\$0	\$0	\$0	(\$52,772)	\$0	(\$52,772)
Public Health Services	15,454	0	0	0	(15,454)	0	(15,454)
Leisure Time Activities	22,439	2,786	8,350	0	(11,303)	0	(11,303)
Community Environment	37,262	0	85,914	0	48,652	0	48,652
Basic Utility Services	0	1,056	0	0	1,056	0	1,056
Transportation	34,960	0	36,053	0	1,093	0	1,093
General Government	76,215	7,121	0	0	(69,094)	0	(69,094)
Capital Outlay	111,679	0	0	109,763	(1,916)	0	(1,916)
Debt Service:							0
Principal	6,361	0	0	0	(6,361)	0	(6,361)
Interest	1,401	0	0	0	(1,401)	0	(1,401)
<b>Total Governmental Activities</b>	<b>358,543</b>	<b>10,963</b>	<b>130,317</b>	<b>109,763</b>	<b>(107,500)</b>	<b>0</b>	<b>(107,500)</b>
<b>Business Type Activities</b>							
Water Operating	103,857	140,848	0	0	0	36,991	36,991
USDA Loan Enterprise Debt Service	48,880	0	0	0	0	(48,880)	(48,880)
Issue II Enterprise Debt Service	1,264	0	0	0	0	(1,264)	(1,264)
Security Deposits Enterprise Fund	1,094	2,043	0	0	0	949	949
Sanitation Enterprise Fund	57,867	53,007	0	0	0	(4,861)	(4,861)
<b>Total Business Type Activities</b>	<b>212,962</b>	<b>195,898</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(17,065)</b>	<b>(17,065)</b>
<b>Total Primary Government</b>	<b>571,505</b>	<b>206,861</b>	<b>130,317</b>	<b>109,763</b>	<b>(107,500)</b>	<b>(17,065)</b>	<b>(124,565)</b>
<b>General Receipts</b>							
Property Taxes					55,990	0	55,990
Other Taxes					5,045	0	5,045
Grants and Entitlements not Restricted to Specific Programs					41,155	0	41,155
Sale of Fixed Assets					0	300	300
Earnings on Investments					6,157	246	6,403
Miscellaneous					10,146	507	10,653
<b>Total General Receipts</b>					<b>118,493</b>	<b>1,053</b>	<b>119,546</b>
Transfers					(6,795)	6,795	0
<b>Total General Receipts, Special &amp; Extraordinary Items, Transfers and Advances</b>					<b>111,698</b>	<b>7,848</b>	<b>119,546</b>
Change in Net Assets					4,198	(9,217)	(5,019)
<i>Net Assets Beginning of Year</i>					117,453	233,910	351,363
<i>Net Assets End of Year</i>					<b>\$121,651</b>	<b>\$224,693</b>	<b>\$346,344</b>

See accompanying notes to the basic financial statements

**VILLAGE OF DILLONVALE, JEFFERSON COUNTY**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2005*

	GENERAL	STREET CONST. MAINT.REP.	FEMA #1556	ISSUE II	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$42,566	\$26,556	\$30,820	\$0	\$17,744	\$117,686
Investments	3,965	0	0	0	0	3,965
<i>Total Assets</i>	<u>46,531</u>	<u>26,556</u>	<u>30,820</u>	<u>0</u>	<u>17,744</u>	<u>121,651</u>
<b>Fund Balances</b>						
Reserved:						
Reserved for Encumbrances	135	0	0	0	165	300
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	46,396	0	0	0	0	46,396
Special Revenue Funds	0	26,556	30,820	0	17,579	74,955
<i>Total Fund Balances</i>	<u>\$46,531</u>	<u>\$26,556</u>	<u>\$30,820</u>	<u>\$0</u>	<u>\$17,744</u>	<u>\$121,651</u>

See accompanying notes to the basic financial statements

**VILLAGE OF DILLONVALE, JEFFERSON COUNTY**  
*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2005*

	GENERAL	STREET CONST. MAINT.REP.	FEMA #1556	ISSUE II	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>Receipts</b>						
Property and Other Local Taxes	\$39,619	\$0	\$0	\$0	\$16,922	\$56,541
Intergovernmental	44,516	27,112	85,914	109,763	13,929	281,234
Charges for Services	3,842	0	0	0	0	3,842
Fines, Licenses and Permits	11,540	0	0	0	75	11,615
Earnings on Investments	6,157	0	0	0	0	6,157
Miscellaneous	9,486	0	0	0	0	9,486
<b>Total Receipts</b>	<b>115,160</b>	<b>27,112</b>	<b>85,914</b>	<b>109,763</b>	<b>30,926</b>	<b>368,875</b>
<b>Disbursements</b>						
Current:						
Security of Persons and Property	44,784	0	0	0	7,987	52,771
Public Health Services	1,000	0	0	0	14,455	15,455
Leisure Time Activities	22,174	0	0	0	265	22,439
Community Environment	0	0	35,936	0	1,326	37,262
Transportation	6,169	20,352	0	0	8,439	34,960
General Government	76,215	0	0	0	0	76,215
Capital Outlay	1,916	0	0	109,763	0	111,679
Debt Service:						
Principal Retirement	1,712	0	0	0	4,649	6,361
Interest and Fiscal Charges	505	0	0	0	896	1,401
<b>Total Disbursements</b>	<b>154,475</b>	<b>20,352</b>	<b>35,936</b>	<b>109,763</b>	<b>38,017</b>	<b>358,543</b>
Excess of Receipts Over (Under) Disbursements	(39,315)	6,760	49,978	0	(7,091)	10,332
Other Financing Sources (Uses)						
Transfers In	12,454	3,955	0	0	1,343	17,752
Transfers Out	(5,389)	0	(19,158)	0	0	(24,547)
Other Financing Sources	661	0	0	0	0	661
<b>Total Other Financing Sources (Uses)</b>	<b>7,726</b>	<b>3,955</b>	<b>(19,158)</b>	<b>0</b>	<b>1,343</b>	<b>(6,134)</b>
Net Change in Fund Balances	(31,589)	10,715	30,820	0	(5,748)	4,198
Fund Balances Beginning of Year	78,120	15,841	0	0	23,492	117,453
<b>Fund Balances End of Year</b>	<b>\$46,531</b>	<b>\$26,556</b>	<b>\$30,820</b>	<b>\$0</b>	<b>\$17,744</b>	<b>\$121,651</b>

See accompanying notes to the basic financial statements

**VILLAGE OF DILLONVALE, JEFFERSON COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$35,701	\$39,619	\$39,619	\$0
Intergovernmental	45,869	42,533	44,516	1,983
Charges for Services	4,250	3,676	3,842	166
Fines, Licenses and Permits	10,500	11,540	11,540	0
Earnings on Investments	6,000	5,601	6,157	556
Miscellaneous	0	9,440	9,486	46
<i>Total receipts</i>	<u>102,320</u>	<u>112,409</u>	<u>115,160</u>	<u>2,751</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	38,363	47,851	44,784	130,998
Public Health Services	1,000	1,000	1,000	3,000
Leisure Time Activities	13,610	23,860	22,174	59,644
Transportation	12,419	15,369	6,169	33,957
General Government	105,122	102,637	76,350	284,109
Capital Outlay	2,555	1,916	1,916	6,387
Debt Service:				
Principal Retirement	1,267	1,712	1,712	4,691
Interest and Fiscal Charges	311	1,505	505	2,321
<i>Total Disbursements</i>	<u>174,647</u>	<u>195,850</u>	<u>154,610</u>	<u>525,107</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(72,327)</u>	<u>(83,441)</u>	<u>(39,449)</u>	<u>43,992</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	12,453	12,453	0
Transfers Out	(5,500)	(7,500)	(5,388)	2,112
Other Financing Sources	0	660	660	0
<i>Total Other Financing Sources (Uses)</i>	<u>-5,500</u>	<u>5,613</u>	<u>7,725</u>	<u>2,112</u>
<i>Net Change in Fund Balance</i>	<u>(77,827)</u>	<u>(77,828)</u>	<u>(31,724)</u>	<u>46,104</u>
<i>Fund Balance Beginning of Year</i>	<u>69,914</u>	<u>69,914</u>	<u>69,914</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>8,206</u>	<u>8,206</u>	<u>8,206</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$293</u>	<u>\$292</u>	<u>\$46,396</u>	<u>\$46,103</u>

See accompanying notes to the basic financial statements

**VILLAGE OF DILLONVALE, JEFFERSON COUNTY**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual -Budget Basis  
 Street Construction and Maintenance Fund  
 For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$17,000	\$24,986	\$27,112	\$2,126
<i>Total receipts</i>	<u>17,000</u>	<u>24,986</u>	<u>27,112</u>	<u>2,126</u>
<b>Disbursements</b>				
Current:				
Transportation	32,841	44,782	20,352	24,430
<i>Total Disbursements</i>	<u>32,841</u>	<u>44,782</u>	<u>20,352</u>	<u>24,430</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(15,841)</u>	<u>(19,796)</u>	<u>6,760</u>	<u>26,556</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	3,955	3,955	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>3,955</u>	<u>3,955</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(15,841)</u>	<u>(15,841)</u>	<u>10,715</u>	<u>26,556</u>
<i>Fund Balance Beginning of Year</i>	15,795	15,795	15,795	0
Prior Year Encumbrances Appropriated	<u>46</u>	<u>46</u>	<u>46</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$26,556</u></u>	<u><u>\$26,556</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF DILLONVALE, JEFFERSON COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*FEMA Fund*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$0	\$85,914	\$85,914	\$0
<i>Total receipts</i>	0	85,914	85,914	0
<b>Disbursements</b>				
Current:				
Community Environment	0	66,756	35,936	30,820
<i>Total Disbursements</i>	0	66,756	35,936	30,820
<i>Excess of Receipts Over (Under) Disbursements</i>	0	19,158	49,978	30,820
<b>Other Financing Sources (Uses)</b>				
Transfers Out	0	(19,158)	(19,158)	0
<i>Total Other Financing Sources (Uses)</i>	0	(19,158)	(19,158)	0
<i>Net Change in Fund Balance</i>	0	0	30,820	30,820
<i>Fund Balance Beginning of Year</i>	0	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	0	0	0	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$30,820	\$30,820

See accompanying notes to the basic financial statements

**VILLAGE OF DILLONVALE, JEFFERSON COUNTY**  
*Statement of Fund Net Assets - Modified Cash Basis*  
*Proprietary Funds*  
*December 31, 2005*

	WATER OPERATING	USDA LOAN ENTERPRISE	USDA RESERVE ENTERPRISE	GARBAGE ENTERPRISE FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS
Assets						
Equity in Pooled Cash and Cash Equivalents	\$21,794	\$0	\$0	\$20,655	\$4,992	\$47,441
Investments	142,025	2,552	24,511	8,164	0	177,252
Total Assets	<u>163,819</u>	<u>2,552</u>	<u>24,511</u>	<u>28,819</u>	<u>4,992</u>	<u>224,693</u>
Net Assets						
Restricted for:						
Unrestricted	163,819	2,552	24,511	28,819	4,992	224,693
Total Net Assets	<u>\$163,819</u>	<u>\$2,552</u>	<u>\$24,511</u>	<u>\$28,819</u>	<u>\$4,992</u>	<u>\$224,693</u>

See accompanying notes to the basic financial statements

**VILLAGE OF DILLONVALE, JEFFERSON COUNTY**  
*Statement of Cash Receipts,  
Disbursements and Changes in Fund Net Assets - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2005*

	WATER OPERATING TOTAL	USDA LOAN ENTERPRISE TOTAL	USDA RESERVE ENTERPRISE TOTAL	GARBAGE ENTERPRISE FUND TOTAL	OTHER ENTERPRISE FUNDS TOTAL	TOTAL ENTERPRISE FUNDS
<b>Operating Receipts</b>						
Charges for Services	\$140,224	\$0	\$0	\$52,959	\$2,043	\$195,226
<i>Total Operating Receipts</i>	<u>140,224</u>	<u>0</u>	<u>0</u>	<u>52,959</u>	<u>2,043</u>	<u>195,226</u>
<b>Operating Disbursements</b>						
Personal Services	47,760	0	0	16,870	0	64,630
Employee Fringe Benefits	8,334	0	0	3,198	0	11,532
Contractual Services	5,415	0	0	1,551	0	6,966
Supplies and Materials	38,263	0	0	29,424	0	67,687
Other	0	0	0	0	1,094	1,094
<i>Total Operating Disbursements</i>	<u>99,772</u>	<u>0</u>	<u>0</u>	<u>51,043</u>	<u>1,094</u>	<u>151,909</u>
<i>Operating Income (Loss)</i>	<u>40,452</u>	<u>0</u>	<u>0</u>	<u>1,916</u>	<u>949</u>	<u>43,317</u>
<b>Non-Operating Receipts (Disbursements)</b>						
Special Assessments	624	0	0	47	0	671
Earnings on Investments	0	0	0	246	0	246
Sale of Fixed Assets	0	0	0	300	0	300
Miscellaneous Receipts	266	0	0	0	0	266
Capital Outlay	(2,874)	0	0	0	0	(2,874)
Principal Payments	(1,008)	(10,000)	0	(6,111)	0	(17,119)
Interest and Fiscal Charges	(202)	(38,880)	0	(713)	(1,264)	(41,059)
Other Financing Sources	240	0	0	0	0	240
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(2,954)</u>	<u>(48,880)</u>	<u>0</u>	<u>(6,231)</u>	<u>(1,264)</u>	<u>(59,329)</u>
<i>Income (Loss) before Transfers and Advances</i>	<u>37,498</u>	<u>(48,880)</u>	<u>0</u>	<u>(4,315)</u>	<u>(315)</u>	<u>(16,012)</u>
Transfers In	5,930	48,930	4,896	865	1,264	61,885
Transfers Out	(55,090)	0	0	0	0	(55,090)
<i>Change in Net Assets</i>	<u>(11,662)</u>	<u>50</u>	<u>4,896</u>	<u>(3,450)</u>	<u>949</u>	<u>(9,217)</u>
<i>Net Assets Beginning of Year</i>	<u>175,481</u>	<u>2,502</u>	<u>19,615</u>	<u>32,269</u>	<u>4,043</u>	<u>233,910</u>
<i>Net Assets End of Year</i>	<u>\$163,819</u>	<u>\$2,552</u>	<u>\$24,511</u>	<u>\$28,819</u>	<u>\$4,992</u>	<u>\$224,693</u>

See accompanying notes to the basic financial statements



**VILLAGE OF DILLONVALE, JEFFERSON COUNTY**  
*Statement of Fiduciary Net Assets - Modified Cash Basis*  
*Fiduciary Funds*  
*December 31, 2005*

---

---

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$170
<i>Total Assets</i>	<u>170</u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	<u>170</u>
<i>Total Net Assets</i>	<u>\$170</u>

See accompanying notes to the basic financial statements

**VILLAGE OF DILLONVALE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006**

**Note 1 – Reporting Entity**

The Village of Dillonvale, Jefferson County, Ohio, is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, and votes only to break a tie.

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

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sanitation utilities, and maintenance of Village roads, park operations, and police services. The Village contracts with the Dillonvale Volunteer Fire Department and Dillonvale Emergency Medical Services to receive fire protection and emergency services.

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**A. Basis of Presentation**

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**VILLAGE OF DILLONVALE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies - (Continued)**

The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year-end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions.

The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village has three major governmental funds, The General Fund, Street Construction Maintenance & Repair Fund, and FEMA #1556 Fund.

General Fund: The General Fund is used to account for all financial resources, except those required to be accounted for 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.

Street Construction Maintenance and Repair Fund: This fund is finance primarily from gas and motor vehicle taxes. The Street Construction Maintenance and Repair Fund revenue is primarily used for the maintenance and repair of streets and street related expenses such as curbs and gutters.

**VILLAGE OF DILLONVALE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies - (Continued)**

Federal Emergency Management Agency #1556 Fund: This fund is established for the purpose of accounting grant money, which is restricted for a specific use. The expenditures of this fund are restricted for the repair of flood damages.

Issue II Fund: This fund is established for the purpose of accounting for grant money, which is restricted for a specific use. The expenditures of this fund are restricted for capital projects.

**Proprietary Funds**

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the Water Fund, the USDA Loan Fund, the USDA Reserve Fund and the Sanitation Fund .

Water Fund - The Water Fund accounts for the provision of water to the residents and commercial users located within the Village.

USDA Loan Fund – This a bond fund that is used to repay the bonded debt of the Village's waterline replacement project. Money is transferred from the Water Fund to pay the bonded debt from this fund.

USDA Reserve Fund – This fund is required by the USDA to be maintained by putting 10% of the annual USDA Loan payment amount into a reserve fund to be used for the maintenance and repair of the water lines replaced during the water line replacement project.

Sanitation Fund – The sanitation fund accounts for the provision of sanitary services to the residents and commercial users within the Village.

**Fiduciary Funds**

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for all monies received and disbursed through the Mayor's Court.

**C. Basis of Accounting**

The Village's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

**VILLAGE OF DILLONVALE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies - (Continued)**

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk-Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

**E. Cash and Investments**

Village records identify the purchase of specific investments by specific funds.

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

**VILLAGE OF DILLONVALE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies - (Continued)**

During 2006, the Village invested in nonnegotiable certificates of deposit, money market funds, and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost. The Village's money market fund investment is recorded at the amount reported by Ameribank and A.G. Edwards at December 31, 2006.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund and Sanitation Fund during 2006 was \$7,773.

**F. Restricted Assets**

Cash, Cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent various miscellaneous items.

**G. Inventory and Prepaid Items**

The Village reports disbursement for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

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

**I. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's modified cash basis of accounting.

**J. Employer Contributions to Retirement System**

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-Term Obligations**

The village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither the revenue from another financing source nor the capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**VILLAGE OF DILLONVALE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies - (Continued)**

**L. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for special revenue fund balances.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**M. Fund Balance Reserves**

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**N. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 – Change in Basis of Accounting and Restatement of Fund Equity**

In the year 2005 and 2006, the Village has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**Note 4 – Compliance**

Contrary to the Ohio Revised Code 5705.41(D) the Village did not properly certify all expenditures. The Village Clerk-Treasurer will try to ensure that all purchases are certified prior to invoice date.

**Note 5 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Street Construction Maintenance and Repair Fund, and FEMA #1556 Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year-end encumbrances, which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

**VILLAGE OF DILLONVALE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006  
(Continued)**

**Note 5 – Budgetary Basis of Accounting – (Continued)**

The encumbrances outstanding at year-end (budgetary basis) amounted to \$1,602 for the General Fund, \$219 for the Street Construction and Maintenance Fund and \$92 for the FEMA #1556 Fund, major special revenue funds. There were no outstanding advances at year-end.

**Note 6 – Deposits and Investments**

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).



VILLAGE OF DILLONVALE  
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006  
(Continued)

**Note 6 – Deposits and Investments – (Continued)**

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$76,847 of the uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2006, the village had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
Certificates of Deposits	\$86,000.	7/17/07
Money Market Fund	80,150.	
STAR Ohio	27,082.	
Total Investments	<u>\$193,232.</u>	

Interest rate risk arises because the fair value of investments changes as interest rates change. The Village's investments address interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

The Money Market Fund carries a rating of A+ by Standard & Poor's and STAR Ohio carries a rating of AAA by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**VILLAGE OF DILLONVALE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006  
(Continued)**

**Note 6 – Deposits and Investments - (Continued)**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Treasury Bills are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states,

“Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

**Note 7 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the village. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**VILLAGE OF DILLONVALE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006  
(Continued)**

**Note 7 – Property Taxes – (Continued)**

The full tax rate for all Village operations for the year ended December 31, 2006, was \$18.90 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential	\$ 4,647,020.
Real Others	781,860.
Personal Property	91,683.
Public Utility Real	4,940.
Public Utility Equipment	527,320.
	<hr/>
Total Assessed Value	\$ 6,052,833.

**Note 8 – Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, The Government joined the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty Coverage**

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

**Property Coverage**

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**VILLAGE OF DILLONVALE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006  
(Continued)**

**Note 8 – Risk Management – (Continued)**

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005.

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	(15,875,741)	(15,994,168)
Retained earnings	\$15,122,127	\$13,725,507

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	(863,163)	(1,068,245)
Retained earnings	\$4,262,163	\$3,375,087

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Government's share of these unpaid claims collectible in future years is approximately \$20,000. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership. The village has only had PEP since October 1, 2006. Therefore, there were no contributions made to PEP prior to this date.

**VILLAGE OF DILLONVALE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006  
(Continued)**

**Note 8 – Risk Management - (Continued)**

<b><u>Contributions to PEP</u></b>	
2004	\$0
2005	\$0
2006	\$4,668

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

The financial statements exclude PEP because the Village is not financially accountable for this entity nor are they fiscally dependent on the Village.

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. The System administers and pays all claims.

**Note 9 – Defined Benefit Pension Plan**

**A. Ohio Public Employees Retirement System**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year).

Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

**VILLAGE OF DILLONVALE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006  
(Continued)**

**Note 9 – Defined Benefit Pension Plan – (Continued)**

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$16,846, \$16,886, and \$18,008 respectively. The full amount has been contributed for 2006, 2005 and 2004.

**Note 10 - Postemployment Benefits**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$5,533. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion.

The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**VILLAGE OF DILLONVALE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006  
(Continued)**

**Note 11 - Notes Payable**

A summary of the note transactions for the year ended December 31, 2006, follows:

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006
<u>Governmental Activities</u>	4.25-4.75%	\$15,752		\$4,645	\$11,107
<u>Business Activities</u>	4.25-5.50%	15,992		6,753	9,239
<b>Total</b>		<b>\$31,744</b>		<b>\$11,398</b>	<b>\$20,346</b>

Governmental Activities Include:

The police cruiser note was for the purchase of a new cruiser. The loan is collateralized by the equipment purchased.

The dump truck note was for the purchase of a new dump truck. The loan is collateralized by the equipment purchased. This equipment as purchased is to be used for governmental and business type activities. Therefore, the activity for this loan is presented 50% in Governmental Type Activities and 50% in Business Type Activities.

Business Activities Include:

The garbage packer note was for the purchase of a used packer. It is collateralized by the equipment and was paid off in October 2006.

The dump truck note was for the purchase of a new dump truck. The loan is collateralized by the equipment purchased. This equipment was purchased to be used for governmental and business type activities. Therefore, the activity for this loan is presented 50% in Governmental Type Activities and 50% in Business Type Activities.

Year	Police Cruiser		Dump Truck	
	Principal	Interest	Principal	Interest
2007	\$1,397	\$181	\$6,915	\$652
2008	469	35	7,213	353
2009			4,352	62
<b>Totals</b>	<b>\$1,866</b>	<b>\$216</b>	<b>\$18,480</b>	<b>\$1,067</b>

**VILLAGE OF DILLONVALE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006  
(Continued)**

**Note 12 – Debt**

The Village's long-term debt activity for the year ended December 31, 2006, was as follows:

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
<u>Business-type Activities</u>						
2002 OPWC Loan (\$25,281)	0.00%	\$21,489		\$1,264	\$20,225	\$1,264
2000 USDA Rural Development Permanent Mortgage Revenue Bonds (\$900,000)	4.50%	854,000		10,500	843,500	11,400
<b>Total Business-type Activities</b>		<b>\$875,489</b>		<b>\$11,764</b>	<b>\$863,725</b>	<b>\$12,264</b>

The Ohio Public Works Commission Loan was for a water tank construction project. It will be repaid in semi-annual installments of \$632 over 17 years with user charges. This is an interest free loan.

The Water Mortgage Revenue Bonds relate to a repayment of funds borrowed for a water improvement project. This will be repaid in annual installments of approximately \$48,900 including interest, 35 years with user charges. The Water Mortgage Revenue Bond Covenant requires the Village to establish and fund a reserve fund, included as an enterprise dept service fund. The balance in the fund at December 31, 2006 is \$29,406. The Village has agreed to set water rates sufficient to cover the revenue bond debt service requirements.

Year	OWPC Loan		USDA Bonds	
	Principal	Interest	Principal	Interest
2007	\$1,264		\$11,000	\$37,958
2008	1,264		11,400	37,462
2009	1,264		12,000	36,950
2010	1,264		12,400	36,409
2011	1,264		13,100	35,852
2012–2016	6,320		74,700	169,888
2017–2021	6,320		93,000	151,511
2022–2026	1,264		115,900	128,606
2027–2031			144,500	100,067
2032–2036			180,000	64,498
2037–2041			175,500	20,174
<b>Totals</b>	<b>\$20,224</b>		<b>\$843,500</b>	<b>\$819,375</b>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2006, were an overall debt margin of \$635,546 and an unvoted debt margin of \$332,905.



VILLAGE OF DILLONVALE  
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006  
(Continued)

**Note 13 – Interfund Transfers**

During 2006 the following transfers were made:

Transfers from the General Fund to:	
Major Enterprise Fund – Water Operating	<u>\$ 6,222</u>
Total Transfers from the General Fund	<u>\$ 6,222</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interest earned on the Water Enterprise's money market accounts, Star Ohio and CD's shall be transferred from the village's General fund to the Water Enterprise Fund as this represents their interest.

**THIS PAGE IS INTENTIONALLY LEFT BLANK.**



# Mary Taylor, CPA

Auditor of State

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

Village of Dillonvale  
Jefferson County  
Po Box 546  
Dillonvale, Ohio 43917

To the Villager Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Dillonvale, Jefferson County, (the Village) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 12, 1007, wherein we noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Government's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

Village of Dillonvale  
Jefferson County  
Independents Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

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

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated September 12, 2007.

#### **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 matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2006-001.

We also noted a certain noncompliance or other matter that we reported to the Village's management in a separate letter dated September 12, 1007.

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.

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



**Mary Taylor, CPA**  
Auditor of State

September 12, 1007

**VILLAGE OF DILLONVALE  
JEFFERSON COUNTY  
DECEMBER 31, 2006 AND 2005**

**SCHEDULE OF FINDINGS**

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

<b>Finding Number</b>	<b>2006-001</b>
-----------------------	-----------------

**Non Compliance Citation/Significant Deficiency**

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

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively of the Ohio Revised Code.

1. **Then and Now Certificate** – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council if such expenditure is otherwise valid.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extent beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Village did not properly certify or record the amount against the applicable appropriation accounts for 10% of tested expenditures. The Village did not utilize the certification exceptions described above.

**VILLAGE OF DILLONVALE  
JEFFERSON COUNTY  
DECEMBER 31, 2006 AND 2005**

**SCHEDULE OF FINDINGS  
(Continued)**

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the village departments should obtain approved purchase orders which include the fiscal officers certification that the amount required to meet the obligation has been lawfully appropriated and authorized prior to making a commitment. When prior certification is not possible, "then and now" certification should be used.

The Village fiscal officer should certify purchases to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code to reduce the available appropriation.

**Officials Response**

The Village is aware that some purchases were not certified prior to invoice date. The Village will make an extra effort to see that prior certification be obtained before purchasing goods or services.



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF DILLONVALE**

**JEFFERSON 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  
FEBRUARY 5, 2008**