

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY
Regular Audit
December 31, 2006 and 2005**



Mary Taylor, CPA

Auditor of State

Mayor and Members of Council
Village of Dresden
904 Chestnut Street
P.O. Box 539
Dresden, Ohio 43821

We have reviewed the *Independent Accountants' Report* of the Village of Dresden, Muskingum County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Dresden is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 21, 2008

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**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

October 15, 2008

Village of Dresden
Muskingum County
904 Chestnut Street
Po Box 539
Dresden, Ohio 43821

To the Mayor, Fiscal Officer, and Members of Village Council:

We have audited the accompanying financial statements of the **Village of Dresden, Muskingum County, Ohio**, (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as described in paragraph six, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of the State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005 or their changes in financial position or cash flows for the years then ended.

The Village did not provide adequate supporting documentation for municipal income taxes and charges for services receipts to enable us to determine the completeness, occurrence, allocation, and rights and obligations of municipal income taxes recorded in the General Fund and the Income Tax Fund, Special Revenue Fund Type, in the financial statements in 2006 and 2005 and charges for services recorded in the Swimming Pool Fund, a Proprietary Fund Type, in the financial statements in 2006, nor were we able to satisfy ourselves as to those receipts through the use of alternative procedures. These municipal income tax revenues represent 23.48 and 26.07 percent of revenues of the Governmental Fund Type for the year ended December 31, 2006 and 2005 respectively, and charges for services revenues represent 81.66 percent of revenues of the Proprietary Fund Type for the year ended December 31, 2006.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary, had we been able to obtain the information and documentation to support the completeness, occurrence, allocation, and rights and obligations of municipal income tax receipts in the Income Tax Fund and charges for services receipts in the Swimming Pool Fund, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Dresden, Muskingum County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2008, 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.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property and Local Taxes	\$ 68,099	\$ -	\$ 48,310	\$ -	\$ -	\$ 116,409
Municipal Income Tax	4,421	244,879	-	-	-	249,300
Intergovernmental	51,528	61,583	-	-	-	113,111
Special Assessments	-	17,785	-	-	-	17,785
Charges for Services	-	16,450	-	-	-	16,450
Fines, Licenses, and Permits	8,210	-	-	-	-	8,210
Earnings on Investments	35,779	-	-	-	252	36,031
Miscellaneous	38,619	368	-	-	-	38,987
Total Cash Receipts	206,656	341,065	48,310	-	252	596,283
Cash Disbursements:						
Current:						
Security of Persons and Property	228,326	14,738	-	-	-	243,064
Public Health Services	-	23,475	-	-	711	24,186
Leisure Time Activities	2,000	-	-	-	-	2,000
Transportation	-	176,166	-	-	-	176,166
General Government	93,352	4,897	857	-	-	99,106
Debt Service:						
Redemption of Principal	-	13,132	73,899	-	-	87,031
Interest and Fiscal Charges	-	3,849	36,315	-	-	40,164
Capital Outlay	18,363	-	-	-	-	18,363
Total Cash Disbursements	342,041	236,257	111,071	-	711	690,080
Total Cash Receipts Over/(Under) Disbursements	(135,385)	104,808	(62,761)	-	(459)	(93,797)
Other Financing Receipts and (Disbursements):						
Debt Proceeds	-	35,767	-	-	-	35,767
Sale of Fixed Assets	17,600	-	-	-	-	17,600
Advances-In	33,441	29,961	46,447	-	-	109,849
Advances-Out	(33,441)	(29,961)	(46,447)	-	-	(109,849)
Transfer-In	131,016	108,190	62,918	-	-	302,124
Transfer-Out	-	(239,300)	-	-	-	(239,300)
Other Uses	-	(1,285)	-	-	-	(1,285)
Total Other Financing Receipts/(Disbursements)	148,616	(96,628)	62,918	-	-	114,906
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	13,231	8,180	157	-	(459)	21,109
Fund Cash Balances, January 1	12,253	11,025	8,367	62	3,598	35,305
Fund Cash Balances, December 31	\$ 25,484	\$ 19,205	\$ 8,524	\$ 62	\$ 3,139	\$ 56,414

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 708,428	\$ -	\$ 708,428
Total Operating Revenues	<u>708,428</u>	<u>-</u>	<u>708,428</u>
Operating Cash Disbursements:			
Personal Services	200,273	-	200,273
Fringe Benefits	28,197	-	28,197
Contractual Services	63,480	-	63,480
Supplies and Materials	112,083	-	112,083
Other	15,710	-	15,710
Total Operating Cash Disbursements	<u>419,743</u>	<u>-</u>	<u>419,743</u>
Operating Income (Loss)	<u>288,685</u>	<u>-</u>	<u>288,685</u>
Non-Operating Cash Receipts/(Disbursements):			
Miscellaneous Receipts	27,548	-	27,548
Other Non-Operating Cash Receipts	-	8,996	8,996
Other Non-Operating Cash Disbursements	-	(8,996)	(8,996)
Redemption of Principal	(110,656)	-	(110,656)
Interest and Fiscal Charges	(20,641)	-	(20,641)
Total Non-Operating Cash Receipts/Disbursements	<u>(103,749)</u>	<u>-</u>	<u>(103,749)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers/Advances	184,936	-	184,936
Advances-In	109,849	-	109,849
Advances-Out	(109,849)	-	(109,849)
Transfer-In	12,732	-	12,732
Transfer-Out	(75,556)	-	(75,556)
Net Receipts Over/(Under) Cash Disbursements	122,112	-	122,112
Fund Cash Balances, January 1	<u>714,513</u>	<u>-</u>	<u>714,513</u>
Fund Cash Balances, December 31	<u>\$ 836,625</u>	<u>\$ -</u>	<u>\$ 836,625</u>

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property and Local Taxes	\$ 60,763	\$ -	\$ 48,694	\$ -	\$ -	\$ 109,457
Municipal Income Tax	2,701	245,494	-	-	-	248,195
Intergovernmental	80,148	56,084	-	-	-	136,232
Special Assessments	-	18,372	-	-	-	18,372
Charges for Services	-	19,608	-	-	-	19,608
Fines, Licenses, and Permits	7,155	-	-	-	-	7,155
Earnings on Investments	19,845	-	-	-	235	20,080
Miscellaneous	39,142	2,276	-	-	-	41,418
Total Cash Receipts	209,754	341,834	48,694	-	235	600,517
Cash Disbursements:						
Current:						
Security of Persons and Property	231,959	13,955	-	-	-	245,914
Public Health Services	-	38,556	-	-	711	39,267
Basic Utility Service	-	-	102	-	-	102
Transportation	-	154,538	-	-	-	154,538
General Government	110,843	16,070	884	-	-	127,797
Debt Service:						
Redemption of Principal	-	6,855	70,874	-	-	77,729
Interest and Fiscal Charges	-	2,472	39,887	-	-	42,359
Capital Outlay	2,464	-	-	-	-	2,464
Total Cash Disbursements	345,266	232,446	111,747	-	711	690,170
Total Cash Receipts Over/(Under) Disbursements	(135,512)	109,388	(63,053)	-	(476)	(89,653)
Other Financing Receipts and (Disbursements):						
Advances-In	-	15,495	31,907	-	-	47,402
Advances-Out	-	(15,495)	(31,907)	-	-	(47,402)
Transfer-In	117,269	122,759	63,416	-	711	304,155
Transfer-Out	(11,544)	(229,195)	-	-	-	(240,739)
Other Uses	-	(3,880)	-	-	-	(3,880)
Total Other Financing Receipts/(Disbursements)	105,725	(110,316)	63,416	-	711	59,536
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(29,787)	(928)	363	-	235	(30,117)
Fund Cash Balances, January 1	42,040	11,953	8,004	62	3,363	65,422
Fund Cash Balances, December 31	\$ 12,253	\$ 11,025	\$ 8,367	\$ 62	\$ 3,598	\$ 35,305

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 698,986	\$ -	\$ 698,986
Total Operating Revenues	<u>698,986</u>	<u>-</u>	<u>698,986</u>
Operating Cash Disbursements:			
Personal Services	195,246	-	195,246
Fringe Benefits	33,033	-	33,033
Contractual Services	75,111	-	75,111
Supplies and Materials	122,566	-	122,566
Other	1,700	-	1,700
Total Operating Cash Disbursements	<u>427,656</u>	<u>-</u>	<u>427,656</u>
Operating Income (Loss)	<u>271,330</u>	<u>-</u>	<u>271,330</u>
Non-Operating Cash Receipts/(Disbursements):			
Intergovernmental	8,400	-	8,400
Sale of Fixed Assets	21,437	-	21,437
Miscellaneous Receipts	2,104	-	2,104
Other Non-Operating Cash Receipts	-	10,085	10,085
Other Non-Operating Cash Disbursements	-	(10,085)	(10,085)
Capital Outlay	(89,730)	-	(89,730)
Redemption of Principal	(110,705)	-	(110,705)
Interest and Fiscal Charges	(26,383)	-	(26,383)
Total Non-Operating Cash Receipts/Disbursements	<u>(194,877)</u>	<u>-</u>	<u>(194,877)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers/Advances	76,453	-	76,453
Advances-In	37,738	-	37,738
Advances-Out	(37,738)	-	(37,738)
Transfer-Out	(63,416)	-	(63,416)
Net Receipts Over/(Under) Cash Disbursements	13,037	-	13,037
Fund Cash Balances, January 1	<u>701,476</u>	<u>-</u>	<u>701,476</u>
Fund Cash Balances, December 31	<u>\$ 714,513</u>	<u>\$ -</u>	<u>\$ 714,513</u>

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Dresden, Muskingum County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council. The Village provides water and sewer utilities, pool and park operations, police protection, fire protection, ambulance, and Mayor's Court.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Village maintains cash in an interest-bearing checking account. Also, the Village had certificates of deposit and a U.S. Treasury bond.

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Income Tax Fund - This fund receives municipal income tax funds to cover the costs of refunds, supplies and materials, and personal services and to transfer proceeds to other funds as directed by Village Council.

3. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following Significant Debt Service Funds:

Fire Station Bond Fund - This fund receives property tax levy proceeds to pay debt associated with a fire truck.

4. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following Significant Capital Projects Fund:

Sixth Street Phase II Fund - This fund accounts for Issue II and other grants monies used for improvements to Sixth Street.

5. Permanent Funds (Trust Funds)

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

Cemetery Trust Fund - This Nonexpendable Trust Fund maintains the trust corpus and receives the interest income earned.

6. Enterprise Funds

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

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

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Enterprise Funds (Continued)

Swimming Pool Fund – This fund received charges for services from pool operations.

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

Fire and Squad Fund – This fund receives user charges to provide fire and ambulance services to the residents and others in the surrounding area.

7. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

Mayor's Court Fund – This Agency Fund receives fines from police department citations. These monies are divided between the Village and the State, as prescribed by law.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

	<u>2006</u>	<u>2005</u>
Demand Deposits	\$ 703,453	\$ 560,232
Certificates of Deposit	186,586	186,586
Treasury Bond	3,000	3,000
Total	<u>\$ 893,039</u>	<u>\$ 749,818</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation, collateralized by securities pledged by the financial institution to the Village, or collateralized by the financial institution's public entity deposit pool.

Investments: U.S. Treasury Bonds are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 347,812	\$ 388,713	\$ 40,901
Special Revenue	503,248	514,983	11,735
Debt Service	157,675	157,675	-
Capital Projects	4,892	-	(4,892)
Permanent	700	252	(448)
Enterprise	653,743	858,557	204,814
Total	<u>\$ 1,668,070</u>	<u>\$ 1,920,180</u>	<u>\$ 252,110</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 351,348	\$ 375,482	\$ (24,134)
Special Revenue	525,989	506,803	19,186
Debt Service	166,949	157,518	9,431
Capital Projects	4,956	-	4,956
Permanent	703	711	(8)
Enterprise	1,187,902	736,445	451,457
Total	<u>\$ 2,237,847</u>	<u>\$ 1,776,959</u>	<u>\$ 460,888</u>

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 440,441	\$ 327,023	\$ (113,418)
Special Revenue	668,614	480,088	(188,526)
Debt Service	192,397	144,017	(48,380)
Capital Projects	1,900	-	(1,900)
Permanent	710	946	236
Enterprise	794,382	768,665	(25,717)
Total	<u>\$ 2,098,444</u>	<u>\$ 1,720,739</u>	<u>\$ (377,705)</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 435,841	\$ 356,810	\$ 79,031
Special Revenue	668,514	481,016	187,498
Debt Service	201,206	143,654	57,552
Capital Projects	1,962	-	1,962
Permanent	3,714	711	3,003
Enterprise	1,569,161	755,628	813,533
Total	<u>\$ 2,880,398</u>	<u>\$ 1,737,819</u>	<u>\$ 1,142,579</u>

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Rev. Code Section 5705.39, total appropriations exceeded the total estimated revenue in 2006 in the General Fund, Street Construction, Maintenance, and Repair Fund, Cemetery Fund, Income Tax Fund, State Grants Fund, and the Ambulance Sinking Fund.

Contrary to Ohio Rev. Code Section 5705.36, the Village did not file appropriate increases and decreases to Estimated Revenue during 2006 in the Water Operating and General Funds and during 2005 in the General, Street Construction, Maintenance, and Repair Funds.

Contrary to Ohio Rev. Code Section 5705.41 (B), expenditures exceeded appropriations during 2006 in the General, Fire Truck Bond, Fire Station Bond, Sewer Operating, and Swimming Pool Funds and in 2005 in the Cemetery, State Grants, Fire Truck Bond, Fire Station Bond, Fire and Squad, Water Operating, Sewer Operating, and Water Sinking Capital Improvement Funds.

Contrary to Ohio Rev. Code Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 44% of expenditures tested during 2006 and 51% of expenditures testing during 2005.

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. INCOME TAX

The Village levied a voted tax of 1 percent on the income of residents on substantially all earned income arising from employment, residency, or business activities within the Village. The levied tax is used for general options, maintenance of equipment, debt retirement, parks and recreation, and capital improvements.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. INCOME TAX (Continued)

Employers within the Village withhold income tax on employee compensation and remit the tax directly to the Village. Taxpayers over the age of 18 are required to file an annual return. The Village maintains a separate Income Tax Fund, and income tax receipts are credited to this fund on the Village's ledgers. Income Tax Fund activity has been reflected as a Special Revenue Fund in the accompanying financial statements.

6. DEBT

The Village issued bonds during 2000 in the amount of \$43,905 for the purchase of police vehicles and related equipment. The bond was paid in the prior audit period.

The Village issued an Ambulance Bond, Series 2003 in the amount of \$88,621 from Unizan Bank for the purchase of an ambulance. This bond was paid off during the audit period.

The Village issued new debt in the amount of \$35,767 for street improvements from Huntington National Bank. The debt is to be repaid over seven years with annual installments of \$6,298 including interest beginning in 2007.

A lease agreement for dump trucks was issued in 2001. The prior audit reflected an inaccurate balance due at December 31, 2004 of \$75,651. The principal outstanding at December 31, 2004 was \$86,152. Also, the General Obligation Bond for the fire station reflected an inaccurate balance due at December 31, 2004 of \$61,800. The principal outstanding at December 31, 2004 was \$61,000.

The Ohio Water Development Authority (OWDA) loan (2235) relates to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The total amount disbursed was \$885,370 in loans to the Village for this project. The loans will be repaid in four years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

During 1998, through an agreement with the United States Department of Agriculture, the Village issued two bond issues for the construction of the fire station. A local financial institution purchased a \$300,000 bond issue and a \$621,800 bond issue is held by the United States Department of Agriculture. The debt is backed by the full faith and credit of the Village and revenues from fire, emergency medical services, and income taxes are used to retire this debt. The Village on an annual basis makes the required principal and interest payments.

The Ohio Public Works Commission (OPWC) Sixth Street Loan – Phase II (CR008) was a 10-year 4% loan issued in 1998. The principal amount of the issue was \$25,000.

The Ohio Public Works Commission (OWPC) Water Storage Tank Loan (CR25C) was issued during 1999. The loan will be repaid with the proceeds of water revenues in semiannual installments of \$4,724, including interest, over 20 years.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. DEBT (Continued)

The Ohio Public Works Commission (OPWC) Water Treatment Renovation Loan (CR15E) was a 20-year 2% loan issued in 2003. The Village makes semi-annual payment of \$464. The principal amount of the issue was \$15,250.

The Village issued bonds during November 2000 in the amount of \$350,000 for the purchase of a new fire truck and related equipment. The debt is backed by the full faith and credit of the Village and revenues used to retire this debt and are derived from a voted property tax levy. The interest is due semi-annually and principal is due annually.

The Village entered into a lease agreement in November of 2000 with Municipal services Group, Inc. for the lease of dump trucks with an interest rate of 5.85%. The lease agreement was refinanced in 2004 with an interest rate of 4.36 %.

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest</u>
OWDA - 2235 Sewer Plant Construction	216,365	4.00%
OWDA - 3561 Water Treatment Plant Improvements	95,681	4.00%
GO Bonds - Fire Station (USDA)	439,100	4.60%
GO Bonds - Fire Station	36,600	4.60%
OPWC - CR008 Sixth Street phase 2	4,409	4.00%
OPWC - CR25C Water Storage Tank Replacement	111,300	2.00%
OPWC - CR15E Water Treatment renovation	13,000	2.00%
Fire Equipment Bond	172,899	5.50%
Dump Truck Leases	68,921	4.36%
Street Improvement	35,767	5.36%
	<u>\$ 1,194,043</u>	

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

Year ending <u>December 31:</u>	<u>OWDA 2235 Sewer Plant</u>	<u>OWDA 3561 Water Plant</u>	<u>USDA Fire Station</u>	<u>GO Bond Fire Station</u>	<u>Fire Bond Equipment</u>
2007	\$ 68,148	\$ 22,197	\$ 48,857	\$ 13,624	\$ 48,258
2008	68,149	22,197	48,827	13,149	48,258
2009	68,148	22,197	48,836	12,675	48,258
2010	34,075	22,197	48,877	-	48,258
2011	-	22,197	48,848	-	-
2012-2016	-	-	244,251	-	-
2017-2019	-	-	97,641	-	-
Total	<u>\$ 238,520</u>	<u>\$ 110,985</u>	<u>\$ 586,137</u>	<u>\$ 39,448</u>	<u>\$ 193,032</u>

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. DEBT (Continued)

Year ending December 31:	OPWC CR008 Sixth Street II	OPWC CR25C Water Tank	OPWC CR15E Water Treatment	Dump Truck Leases
2007	\$ 3,058	\$ 9,448	\$ 929	\$ 15,024
2008	3,058	9,448	929	15,024
2009	-	9,448	929	15,024
2010	-	9,448	929	15,024
2011	-	9,448	929	-
2012-2016	-	47,240	4,645	-
2017-2021	-	37,792	4,645	-
2022-2024	-	-	1,858	-
Total	<u>\$ 6,116</u>	<u>\$ 132,272</u>	<u>\$ 15,793</u>	<u>\$ 60,096</u>

7. RETIREMENT SYSTEMS

Officials and employees, other than law enforcement officers, belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, PERS members contributed 9.0% and 8.5%, respectively, of their gross salaries. The Village contributed an amount equal to 13.70% of participants' gross salaries in 2006 and 13.55% in 2005. The Village has paid all contributions required through December 31, 2006.

8. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a nonassessable, unincorporated non-profit association providing a formalized, jointly administered self insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

8. RISK MANAGEMENT (Continued)

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	2007	2006
Assets	\$ 11,136,455	\$ 9,620,148
Liabilities	(4,273,553)	(3,329,620)
Member's Equity	\$ 6,862,902	\$ 6,290,528

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

9. FUND TRANSFERS

During 2006, the following interfund transfers were made:

	Transfers In	Transfers Out
General Fund	\$ 131,016	\$ -
Street Construction, Maintenance, & Repair	92,603	-
State Grants	4,892	-
Cemetery	10,695	-
Ambulance Sinking Fund	12,732	-
Fire & Squad	-	(75,556)
Fire Station Bond	62,918	-
Income Tax	-	(239,300)
Total	\$ 314,856	\$ (314,856)

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

9. FUND TRANSFERS (Continued)

During 2005, the following interfund transfers were made:

	Transfers In	Transfers Out
General Fund	\$ 117,269	\$ (11,544)
Street Construction, Maintenance, & Repair	101,275	-
State Grants	1,900	-
Cemetery	19,585	-
Fire Sinking	63,416	-
Fire & Squad	-	(63,416)
Cemetery Trust	710	-
Income Tax	-	(229,195)
Total	<u>\$ 304,155</u>	<u>\$ (304,155)</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.

In both years, the Village transferred funds from the Income Tax Fund to various funds per Village Ordinance 86-04. The Village ordinance is not specific relating to amounts and/or percentages of income tax to be transferred.

Contrary to Ohio Rev. Code Section 5705.14, 5705.15, and 5705.16, the Village made transfers in 2006 and 2005 without the specific approval of Village Council. Transfers must be specifically approved by a formal resolution of the taxing authority of the subdivision.

10. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Pending Litigation

As confirmed by the Village's legal counsel, the Village of Dresden is currently involved in litigation. Alleged discrimination charges were filed with the Ohio Civil Rights Commission. The Village denies any wrongdoing, and any result would not be material. A lawsuit filed during the audit period was resolved subsequently in 2008. The claim was settled by the insurance company defending the Village without any admission of liability on the part of the Village with no monetary responsibility on the part of the Village.

Perry & Associates
Certified Public Accountants, A.C.

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

October 15, 2008

Village of Dresden
Muskingum County
904 Chestnut Street
Po Box 539
Dresden, Ohio 43821

To the Mayor, Fiscal Officer, and Members of Village Council:

We have audited the financial statements of the **Village of Dresden, Muskingum 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 October 15, 2008, wherein we qualified our opinion because we were unable to satisfy ourselves to the completeness, occurrence, allocation, and rights and obligations of the municipal income tax and charges for services receipts. Also, we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. Except as discussed above, 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.

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 Village'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.

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.

We consider the following deficiencies described in the accompanying schedule of findings to be a significant deficiencies in internal control over financial reporting: 2006-001 through 2006-012.

Internal Control Over Financial Reporting (Continued)

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 following significant deficiencies described above are material weaknesses: 2006-001, 2006-002, 2006-010, and 2006-011.

We noted certain matters that we reported to the Village's management in a separate letter dated October 15, 2008.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standard*, which are described in the accompanying schedule of findings as items 2006-001 through 2006-008.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 15, 2008.

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

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 and 2005**

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

FINDING 2006-001

Noncompliance/Significant Deficiency/Material Weakness

Ohio Rev. Code Section 135.21 states in part that all investment earnings, except as otherwise expressly provided by law, shall be credited to the General Fund of the Village.

Article XII, Section 5a of the Ohio constitution and 1982 Ohio Attorney General Opinion 82-031 require that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal. The Village did not credit interest earned to the Street Construction, Maintenance, and Repair, State Highway, and Cemetery Trust Funds as required by these sections. All interest was posted to the General Fund in 2005 and 2006.

Auditor adjustments were made to the financial statements to account for the portion of interest belonging to the Cemetery Trust Fund for both 2005 and 2006. Adjustments for interest belonging to the Street Construction, Maintenance, and Repair Fund and the State Highway Fund were not made because the amounts were deemed immaterial.

Management's Response – We did not receive a response from officials to this finding.

FINDING 2006-002

Noncompliance Citation/Significant Deficiency/Material Weakness

Ohio Rev. Code section 149.351(A) establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law.

For the audit period the following documentation were not provided by Village:

- Income Tax – no supporting documentation to indicate amounts to be collected in 2005 and 2006. The Village did not employ an Income Tax Administrator in 2006 and for a portion of 2005. During this period, the Village had no controls over collections beyond regular deposits.
- Charges for Services – no supporting documentation for pool receipts for 2006.

Inadequate supporting documentation eliminates a significant control point, obscures the audit trail and provides for the opportunity for errors and irregularities occurring and not being detected by management in a timely manner.

We recommend the Village keep all documentation to support income tax and pool receipts.

Management's Response – We did not receive a response from the Village to this finding.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 and 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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FINDING NUMBER 2006-003

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.14, 5705.15, and 5705.16 state that no transfer can be made from one fund of a subdivision to any other fund, except money may be transferred from the General Fund to any fund of the subdivision by resolution of the taxing authority, or from one fund to another as is specifically authorized in the Ohio Rev. Code Section 5705.14. The Village made numerous transfers in both years without the specific approval of Village Council.

Transfers must be specifically approved by a formal resolution of the taxing authority of the subdivision. The resolution must include:

- A specific statement that the transaction is either a transfer or an advance cash
- The specific funds providing and receiving and the amount of the transfer

We recommend the Village refer to the Ohio Rev. Code sections referenced above prior to making transfers and make them accordingly.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-004

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.36 (A)(2) allows all political subdivisions to request increased and reduced amended certificates of estimated resources upon determination by the Fiscal Officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Rev. Code 5705.36 (A)(3) requires an increased amended certificate be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Ohio Rev. Code 5705.36 (A)(4) requires a reduced amended certificate be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

Actual receipts were significantly less than estimated receipts in the General, Street Construction, Maintenance, and Repair, and Fire Station Bond Funds for 2005. Actual receipts were significantly more than estimated receipts in the Water Operating and General Funds in 2006.

We recommend the Village Council compare actual receipts to estimated receipts on a monthly basis to determine if amended certificates are needed.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 and 2005**

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

FINDING NUMBER 2006-005

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.38 requires the Village pass an appropriation measure on or about the first day of each fiscal year. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

In 2006, the Village did not pass its permanent appropriations measure until June.

We recommend that the Village pass its appropriations amendment prior to April 1.

Management's Response – We did not receive a response from officials to this finding.

FINDING 2006-006

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code § 5705.39 provides that the total appropriations from each fund shall not exceed the total estimated revenue. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The appropriations exceeded that total estimated revenue for 2006. Unfavorable variances were noted for the General Fund, Street Construction, Maintenance, and Repair Fund, Cemetery Fund, Income Tax Fund, State Grants Fund, and the Ambulance Sinking Fund.

The Village should obtain a certificate from the County Auditor stating that the total appropriations do not exceed the total estimated resources whenever an amendment is made to the original appropriation measure.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 and 2005**

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

FINDING NUMBER 2006-007

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations in 2005 in the Cemetery, State Grants, Fire Station Bond, Fire Truck Bond, Fire and Squad, Water Operating, Sewer Operating, and Water Sinking Capital Improvement Funds. Actual disbursements exceeded appropriations in 2006 in the General, Fire Station Bond, Fire Truck Bond, Sewer Operating, and Swimming Pool Funds.

We recommend the Village Fiscal Officer modify appropriations with the Village Council and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Village Fiscal Officer should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-008

Noncompliance Citation/Significant Deficiency

Ohio Revised Code § 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. 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.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 and 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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FINDING NUMBER 2006-008 (Continued)

1. “Then and Now” certificate - If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

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 entity may also make expenditures and contracts for any amount from a specific line-item appropriation account 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 extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 44% of the expenditures tested during 2006 and 51% of the expenditures tested during 2005, and there was no evidence that the Village followed the aforementioned exceptions. Without these certifications, the management of the Village lost budgetary control over expenditures.

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, we recommend that the Clerk certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

Management’s Response – We did not receive a response from officials to this finding.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 and 2005**

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

FINDING NUMBER 2006-009

Significant Deficiency

Posting Estimated Revenues and Appropriations

The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Village Council and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present estimated receipts as Certified by the County Budget Commission.

We recommend the Village implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-010

Significant Deficiency/Material Weakness

Fund Classification

During 2005 and 2006, the Village misclassified several funds. For example:

- Income Tax Fund classified as an Agency Fund instead of a Special Revenue Fund.
- Mayor's Court activity reflected in the General Fund instead of in an Agency Fund.
- Fire and Squad Fund classified as a Special Revenue Fund instead of an Enterprise Fund.
- Ambulance Sinking, Fire Sinking, Water Sinking, and Sewer Construction Funds classified as Debt Service Funds instead of Enterprise Funds.
- Police Cruiser Fund as a Capital Projects Fund instead of an Enterprise Fund.
- Cemetery Trust Fund activity reflected in the Cemetery Fund instead of a separate Permanent Fund.

We recommend the Fiscal Officer refer to the Ohio Village Handbook for guidance to determine the proper establishment of funds and classifications.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 and 2005**

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

FINDING NUMBER 2006-011

Significant Deficiency/Material Weakness

Posting Receipts and Expenditures

Receipts and expenditures should be posted to the fund and line item accounts as established by Ohio Administrative Code Section 117-7-01.

During 2005 and 2006, several receipts and expenditures were not posted into accurate revenue and expenditure classifications based on the source of the receipt or expenditure. For example:

- Sale of a truck posted as Miscellaneous Receipts instead of Sale of Fixed Assets.
- Rental property receipts posted as Earnings on Investments instead of Miscellaneous Receipts.
- Sewer, well, and mowing work performed by outside entities posted to Operating Supplies and Materials instead of Miscellaneous Professional and Technical Services.
- Sewer improvement expenditures posted as Redemption of Principal and Basic Utilities in the Sewer Construction Fund instead of Capital Outlay in the Sewer Operating Fund.

These inaccurate postings resulted in several reclassification and adjusting entries being made to the financial statements.

We recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Management's Response – We did not receive a response from officials to this finding.

FINDING 2006-012

Significant Deficiency

Late Payments

During 2005 and 2006 the Village did not pay its Bureau of Workers' Compensation premiums, incurring late payment fees and interest on the outstanding balance.

These are unnecessary expenditures and should be avoided by paying invoices when they become due. It was noted that in May 2008, the Village established a payment plan with Ohio Bureau of Workers' Compensation through the Ohio Attorney General's office to repay the outstanding balance.

We recommend the Village continue with its payment plan and all receipts be collected and monitored by the Fiscal Officer to anticipate the balance that will be due on the next billing cycle.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-VDMC-01	Failure to complete accurate monthly bank reconciliations.	Yes	
2005-VDMC-02	ORC Section 5705.41(D)(1) – Expenditures not properly encumbered.	No	Repeated as 2006-008
2005-VDMC-03	ORC Section 5705.38 – Failure to pass permanent appropriations measure by April 1 st .	No	Repeated as 2006-005
2005-VDMC-04	ORC Section 5705.14 – Transfers and advances made without approval of Village Council.	No	Repeated as 2006-003
2005-VDMC-05	ORC Section 5705.41(B) – Expenditures not properly appropriated.	No	Repeated as 2006-007
2005-VDMC-06	ORC Section 5705.40 – Appropriations amendments neither approved by Village Council nor certified to the County Auditor.	Yes	
2005-VDMC-07	ORC Section 5705.39 – Appropriations in excess of estimated resources.	No	Repeated as 2006-006
2005-VDMC-08	ORC Section 5705.36 (A)(2) – Failure to request amended certificate for actual receipts less than estimated receipts.	No	Repeated as 2006-004
2005-VDMC-09	Incomplete documentation of debt payments and balances.	Yes	
2005-VDMC-10	Inaccurate posting of budgeted receipts to the accounting system.	No	Repeated as 2006-011
2005-VDMC-11	Failure to report proper balances of encumbrances in the financial statements.	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF DRESDON

MUSKINGUM 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
JANUARY 13, 2009**