



**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1998

REGULAR AUDIT

**FOR THE YEARS ENDED
DECEMBER 31, 1998 - 1997**



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**VILLAGE OF DRESDEN
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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Dresden
Muskingum County
P.O. Box 539
Dresden, Ohio 43821

To the 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, 1998 and 1997. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The basis of accounting prescribed by the Auditor of State requires the Village to report outstanding encumbrances at year end as budgetary expenditures. The Village did not record encumbrances. It was not practical for us to determine the amount of unrecorded encumbrances at year end.

In our opinion, except for the effects of not recording year-end outstanding encumbrances as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Dresden, Muskingum County, as of December 31, 1998 and 1997, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 15, 2000, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Village, taken as a whole. The accompanying Schedule of Federal Awards Expenditures for the year ended December 31, 1998, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements as of and for the year ended December 31, 1998. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the management, the Village Council, and other officials authorized to receive this report under section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

September 15, 2000

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

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$48,264	\$466,027	\$29,311	\$	\$	\$543,602
Special Assessments		22,628				22,628
Intergovernmental Receipts	70,421	60,770	3,200			134,391
Charges for Services		19,805				19,805
Fines, Licenses, and Permits	28,541					28,541
Earnings on Investments	27,293					27,293
Miscellaneous	28,415	711		12,280		41,406
Total Cash Receipts	202,934	569,941	32,511	12,280	0	817,666
Cash Disbursements:						
Current:						
Security of Persons and Property	179,524	15,296			0	194,820
Public Health Services		27,990				27,990
Leisure Time Activities	1,208					1,208
Transportation		213,966				213,966
General Government	150,267	13,173	631			164,071
Debt Service:						
Principal Payments	9,771		646,800			656,571
Interest Payments	669		13,292			13,961
Financing and Other Debt-Service Related	130					130
Capital Outlay				1,264,100		1,264,100
Total Cash Disbursements	341,569	270,425	660,723	1,264,100	0	2,536,817
Total Receipts Over/(Under) Disbursements	(138,635)	299,516	(628,212)	(1,251,820)	0	(1,719,151)
Other Financing Receipts/(Disbursements):						
Proceeds from Sale of Public Debt			621,800	300,000		921,800
Proceeds from Sale of Note				621,800		621,800
Transfers-In	100,000	177,000	6,786	327,445		611,231
Transfers-Out	(184,231)	(457,000)				(641,231)
Total Other Financing Receipts/(Disbursements)	(84,231)	(280,000)	628,586	1,249,245	0	1,513,600
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(222,866)	19,516	374	(2,575)	0	(205,551)
Fund Cash Balances, January 1	377,546	65,445	35,130	26,782	300,400	805,303
Fund Cash Balances, December 31	\$154,680	\$84,961	\$35,504	\$24,207	\$300,400	\$599,752

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

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

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$425,305	\$	\$	\$425,305
State Shared Taxes and Permits				0
Miscellaneous	1,644			1,644
Total Operating Cash Receipts	426,949	0	0	426,949
Operating Cash Disbursements:				
Personal Services	44,318	557		44,875
Fringe Benefits	19,765	388		20,153
Contractual Services	25,675			25,675
Supplies and Materials	106,830			106,830
Capital Outlay	43,760			43,760
Total Operating Cash Disbursements	240,348	945	0	241,293
Operating Income/(Loss)	186,601	(945)	0	185,656
Non-Operating Cash Receipts:				
Intergovernmental Receipts	5,200			5,200
Other Non-Operating Cash Receipts			9,377	9,377
Total Non-Operating Cash Receipts	5,200	0	9,377	14,577
Non-Operating Cash Disbursements:				
Debt Service:				0
Principal Payments	37,218			37,218
Interest Payments	30,931			30,931
Other Non-Operating Cash Disbursements	45		9,377	9,422
Total Non-Operating Cash Disbursements	68,194	0	9,377	77,571
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	123,607	(945)	0	122,662
Transfers-In	36,250			36,250
Transfers-Out	(6,250)			(6,250)
Net Receipts Over/(Under) Disbursements	153,607	(945)	0	152,662
Fund Cash Balances, January 1	316,853	6,479		323,332
Fund Cash Balances, December 31	\$470,460	\$5,534	\$0	\$475,994

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

**VILLAGE OF DRESDEN
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1997**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$48,712	\$460,274	\$35,759	\$	\$	\$544,745
Special Assessments		22,532				22,532
Intergovernmental Receipts	54,465	118,642	3,425	135,000		311,532
Charges for Services		13,650				13,650
Fines, Licenses, and Permits	25,873					25,873
Earnings on Investments	28,387					28,387
Miscellaneous	1,337	1,822		2,592	300,400	306,151
Total Cash Receipts	158,774	616,920	39,184	137,592	300,400	1,252,870
Cash Disbursements:						
Current:						
Security of Persons and Property	133,477	13,508				146,985
Public Health Services		20,032				20,032
Leisure Time Activities	2,361	2,000				4,361
Community Environment		10,000				10,000
Basic Utility Services		1,625				1,625
Transportation		156,294				156,294
General Government	161,096	11,278	851			173,225
Debt Service:						
Principal Payments	9,231	627	25,000			34,858
Interest Payments	1,209		7,855			9,064
Financing and Other Debt-Service Related	261					261
Capital Outlay		37,868		245,719		283,587
Total Cash Disbursements	307,635	253,232	33,706	245,719	0	840,292
Total Receipts Over/(Under) Disbursements	(148,861)	363,688	5,478	(108,127)	300,400	412,578
Other Financing Receipts/(Disbursements):						
Transfers-In	270,000	103,000		84,606		457,606
Advances-In	20,809	26,960		65,894		113,663
Transfers-Out	(2,778)	(438,000)				(440,778)
Advances-Out	(20,809)	(26,461)		(15,591)		(62,861)
Total Other Financing Receipts/(Disbursements)	267,222	(334,501)	0	134,909	0	67,630
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	118,361	29,187	5,478	26,782	300,400	480,208
Fund Cash Balances, January 1	259,185	36,258	29,652		0	325,095
Fund Cash Balances, December 31	\$377,546	\$65,445	\$35,130	\$26,782	\$300,400	\$805,303

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

**VILLAGE OF DRESDEN
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, 1997**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$438,902	\$	\$	\$438,902
State Shared Taxes and Permits	25			25
Interest		262		262
Miscellaneous	2,710			2,710
Total Operating Cash Receipts	441,637	262	0	441,899
Operating Cash Disbursements:				
Personal Services	26,462	300		26,762
Fringe Benefits	42,976	1,036		44,012
Contractual Services	36,367			36,367
Supplies and Materials	75,911			75,911
Capital Outlay	25,696			25,696
Total Operating Cash Disbursements	207,412	1,336	0	208,748
Operating Income/(Loss)	234,225	(1,074)	0	233,151
Non-Operating Cash Receipts:				
Other Non-Operating Cash Receipts			11,670	11,670
Total Non-Operating Cash Receipts	0	0	11,670	11,670
Non-Operating Cash Disbursements:				
Debt Service:				
Principal Payments	35,425			35,425
Interest Payments	32,724			32,724
Other Non-Operating Cash Disbursements	1,550	68	11,670	13,288
Total Non-Operating Cash Disbursements	69,699	68	11,670	81,437
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	164,526	(1,142)	0	163,384
Transfers-In	21,250			21,250
Advances-In	62,861			62,861
Transfers-Out	(38,078)			(38,078)
Advances-Out	(113,663)			(113,663)
Net Receipts Over/(Under) Disbursements	96,896	(1,142)	0	95,754
Fund Cash Balances, January 1	219,957	7,621		227,578
Fund Cash Balances, December 31	\$316,853	\$6,479	\$0	\$323,332

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

**VILLAGE OF DRESDEN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

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 general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services.

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.

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

C. Cash and Investments

The Village's investments were valued at cost.

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 receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Cemetery Fund - This fund receives transfers-in and charges for services to provide cemetery services and maintenance.

Street Lighting Fund - This fund receives special assessments to provide street lighting within the Village.

**VILLAGE OF DRESDEN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

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 Bond Fund - This fund receives property tax money to pay debt from the purchase of fire protection equipment.

Fire Station Debt Fund - This fund receives general property tax money to pay debt from the construction of the Fire Station.

4. Capital Project 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 Project Funds:

Sixth Street Phase II Fund - To account for Issue II and other grant monies used for improvements to Sixth Street.

Fire Station Construction Fund - To account for grant and other monies used for the construction of the Fire Station.

5. Enterprise Funds

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

Water Fund - This fund receives user charges from customers to cover the cost of providing this utility.

Waste Water Fund - This fund receives user charges from customers to cover the cost of providing this utility.

Sewer Construction Fund - This fund receives a portion of the waste water user charges to be used for current capital improvements.

Fire and Squad Fund - This fund receives user charges to provide fire and ambulance services to the Village and other entities.

**VILLAGE OF DRESDEN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a Nonexpendable Trust Fund. Other trust funds are classified as Expendable. Funds for which the Village is acting in an agency capacity are classified as Agency Funds. The Village had the following significant Fiduciary Funds:

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

Cemetery Trust Fund - This fund receives bequests and interest to be used for cemetery maintenance. This fund is classified as a Nonexpendable Trust Fund.

Mayor's Court Fund - This fund receives fine money which is disbursed to state and local entities and is classified as an Agency Fund.

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 fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

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.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 1998 and 1997 budgetary activity appears in Note 3.

**VILLAGE OF DRESDEN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Unpaid Vacation and Sick Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments 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>1998</u>	<u>1997</u>
Demand deposits	\$ 346,195	\$ 426,286
Certificates of deposit	<u>726,551</u>	<u>699,349</u>
Total deposits	<u>1,072,746</u>	<u>1,125,635</u>
Investments:		
Savings Bond	<u>3,000</u>	<u>3,000</u>
Total deposits and investments	<u>1,075,746</u>	<u>1,128,635</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investments consist of a United States Savings Bond for a cemetery bequest fund.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1998 and December 31, 1997 follows:

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 258,100	\$ 302,934	\$ 44,834
Special Revenue	644,000	746,941	102,941
Debt Service	35,000	661,097	626,097
Capital Projects	0	1,261,525	1,261,525
Enterprise	447,500	468,399	20,899
Fiduciary	<u>76,000</u>	<u>0</u>	<u>(76,000)</u>
Total	<u>\$ 1,460,600</u>	<u>\$ 3,440,896</u>	<u>\$ 1,980,296</u>

VILLAGE OF DRESDEN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 0	\$ 525,800	\$ (525,800)
Special Revenue	0	727,425	(727,425)
Debt Service	0	660,723	(660,723)
Capital Projects	0	1,264,100	(1,264,100)
Enterprise	0	314,792	(314,792)
Fiduciary	0	945	(945)
Total	<u>\$ 0</u>	<u>\$ 3,493,785</u>	<u>\$ (3,493,785)</u>

1997 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 285,000	\$ 428,774	\$ 143,774
Special Revenue	801,800	719,920	(81,880)
Debt Service	36,444	39,184	2,740
Capital Projects	250,000	222,198	(27,802)
Enterprise	470,500	462,887	(7,613)
Fiduciary	1,222,600	300,662	(921,938)
Total	<u>\$ 3,066,344</u>	<u>\$ 2,173,625</u>	<u>\$ (892,719)</u>

1997 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 0	\$ 310,413	\$ (310,413)
Special Revenue	0	691,232	(691,232)
Debt Service	0	33,706	(33,706)
Capital Projects	0	245,719	(245,719)
Enterprise	0	315,189	(315,189)
Fiduciary	0	1,404	(1,404)
Total	<u>\$ 0</u>	<u>\$ 1,597,663</u>	<u>\$ (1,597,663)</u>

Compliance and Accountability:

The certification of availability of unencumbered appropriations for expenditure was not made prior to purchase commitments being incurred. Section 5705.41(D), Revised Code, requires a certificate of the fiscal officer to be attached to any order of expenditure, prior to a commitment being incurred. As a result, there were no encumbrances to report on the financial statements and outstanding purchase commitments are not included in budgetary disbursements shown above in this note.

The annual appropriation measures were not acted upon and subsequently filed with the County Auditor's Office as required by Ohio Rev. Code Section 5705.38. As a result, all expenditures made by the Village were in violation of Ohio Rev. Code Section 5705.41(B) which prohibits a subdivision from making a disbursement unless it has been properly appropriated.

**VILLAGE OF DRESDEN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 1998 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 590,591	5.00%
General Obligation Bonds - Fire Truck	85,000	5.25%
General Obligation Bonds - Fire Station	300,000	6.00%
General Obligation Bonds - Fire Station	621,800	4.75%
General Obligation Notes - Police Cruiser	5,148	5.75%
Total	\$ 1,602,539	

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The total amount disbursed was \$855,370 in loans to the Village for this project. The loans will be repaid with the proceeds of sewer revenues in semiannual installments of \$34,075, including interest, over 20 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. During this audit period, the Village did not satisfy the debt covenant requirement to set aside a percentage of sewer revenues in a fund for the repayment of debt. However, all scheduled debt payments had been made.

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 \$300,000 bond issue was purchased by a local financial institution and a \$621,800 bond issue is held by the United States Department of Agriculture. Proceeds of property taxes are to be used to retire the debt. The first payment on the bonds was due in 1999. The required principal and interest payments are to be made annually. The Village failed to establish a separate debt service fund to account for debt service related to these bond issues as required by the debt covenant.

**VILLAGE OF DRESDEN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

5. DEBT (Continued)

The Village issued bonds in the amount of \$240,000 for the purchase of a new fire truck on May 1, 1992. Proceeds of property taxes are used to retire the debt. The required interest payments are made semi-annually, with a principal payment made annually.

During 1995, the Village issued a \$37,050 promissory note to purchase new police cruisers. Principal and interest payments are made quarterly from the General Fund.

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

Year ending December 31:	OWDA Loan	General Obligation Bonds - Fire Truck	General Obligation Bonds - Fire Station - \$300,000	General Obligation Bonds - Fire Station - \$621,800	General Obligation Notes - Police Cruiser
1999	\$ 34,075	\$ 30,080	\$ 61,009	\$ 47,441	\$ 2,610
2000	68,149	33,630	61,009	48,819	2,610
2001	68,149	31,830	61,009	48,859	409
2002	68,149	0	61,009	48,852	0
2003	68,149	0	61,009	48,898	0
Subsequent	<u>477,043</u>	<u>0</u>	<u>61,009</u>	<u>732,590</u>	<u>0</u>
Total	<u>\$ 783,714</u>	<u>\$ 95,540</u>	<u>\$ 366,054</u>	<u>\$ 975,459</u>	<u>\$ 5,629</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1998 and 1997, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1998.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

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

VILLAGE OF DRESDEN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

9. SUBSEQUENT EVENTS

During 1999, the Village constructed a new water storage tank. Financing was obtained through the Ohio Water Development Authority with outstanding principal and interest of approximately \$190,000.

**VILLAGE OF DRESDEN
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1998**

<u>Agency/Program/Grant</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Number</u>	<u>Disbursements</u>
<u>U.S. Department of Agriculture</u>			
<i>Direct Program:</i>			
Community Facilities Loans and Grants	10.766	N/A	<u>\$621,800</u>
Total U.S. Department of Agriculture			<u>621,800</u>
Total Federal Awards Expenditures			<u>\$621,800</u>

**VILLAGE OF DRESDEN
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1998**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Village of Dresden's federal award programs. The Schedule has been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

NOTE B - LOCAL CONTRIBUTIONS

Loan proceeds from the U.S. Department of Agriculture are commingled with local monies. It is assumed federal monies were expended during 1998 when the Fire Station was constructed.

NOTE C - MATCHING REQUIREMENTS

The Community Facilities Loans and Grants program requires the Village contribute non-Federal funds (matching funds) to support the Federally-funded program. The Village has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



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

Village of Dresden
Muskingum County
P.O. Box 539
Dresden, Ohio 43821

To the Village Council:

We have audited the financial statements of the Village of Dresden, Muskingum County, Ohio, (the Village) as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated September 15, 2000, in which we indicated we could not determine the amount of unrecorded encumbrances. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed certain instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1998-31060-001 through 1998-31060-006, 1998-31060-015, and 1998-31060-016. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated September 15, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 1998-31060-007 through 1998-31060-021.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 1998-31060-007 through 1998-31060-012, 1998-31060-014 through 1998-31060-018, 1998-31060-020, and 1998-31060-021 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the Village in a separate letter dated September 15, 2000.

This report is intended for the information and use of the management, the Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

September 15, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Village of Dresden
Muskingum County
P.O. Box 539
Dresden, Ohio 43821

To Members of Village Council:

Compliance

We have audited the compliance of the Village of Dresden, Muskingum County, Ohio, (the Village) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1998. The Village's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1998. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings as item 1998-31060-022.

Internal Control over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management, the Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

September 15, 2000

**VILLAGE OF DRESDEN
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
DECEMBER 31, 1998 AND 1997**

1. SUMMARY OF AUDITOR'S RESULTS - 1998

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Community Facilities Loans and Grants; CFDA #10.766
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**VILLAGE OF DRESDEN
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
DECEMBER 31, 1998 AND 1997
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - 1998, 1997
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Finding Number	1998-31060-001
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Noncompliance Citation - Certification of Total Amount Available for Expenditures

Ohio Rev. Code Section 5705.36 requires that on or about the first day of each fiscal year, the fiscal officer of each subdivision is to certify to the County Auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The total amount from all sources which was available for expenditures was not certified to the County Auditor for 1997 until March 31. For 1998, the certification was not made at all.

We recommend the Village certify to the County Auditor all amounts available for expenditure on or about the first day of each fiscal year.

Finding Number	1998-31060-002
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Noncompliance Citation - Amended Certificates of Estimated Resources

Ohio Rev. Code Section 5705.36 requires that an increased amended certificate must be obtained from the Budget Commission if the legislative authority intends to appropriate and expend excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriations.

The Village expended funds in excess of the Official Amount Available for Expenditure and Balances in 1998 and 1997 as certified to the County Auditor and did not obtain increased amended certificates accordingly.

We recommend the Village obtain an Amended Certificate of Estimated Resources from the County Auditor when the Village intends to appropriate amounts in excess of the Official Amount Available for Expenditure and Balances for that year.

Finding Number	1998-31060-003
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Noncompliance Citation - Appropriation Measures

Ohio Rev. Code Section 5705.38 states, in part, that an appropriation measure must be adopted on or about the first day of each fiscal year.

The Village did not adopt any appropriation measures for either 1997 or 1998.

**VILLAGE OF DRESDEN
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
DECEMBER 31, 1998 AND 1997
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - 1898, 1997 (Continued)
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Finding Number	1998-31060-003 (Continued)
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Noncompliance Citation - Appropriation Measures (Continued)

We recommend the Village adopt appropriation measures and file them with County Auditor. Appropriation measures do not become effective until the County Auditor files a certificate that appropriations do not exceed estimated resources.

Finding Number	1998-31060-004
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Noncompliance Citation - Budgeted Expenditures

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

For both 1997 and 1998, expenditures were made without the benefit of appropriations.

We recommend that expenditures only be made once appropriations have been adopted and certification has been received by the County Auditor that appropriations do not exceed estimated resources.

Finding Number	1998-31060-005
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Noncompliance Citation - Fiscal Officer's Certification

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same 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. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

The Village's fiscal officer could not certify funds during the audit period since appropriations were not adopted by Village Council.

We recommend the Village officials implement procedures to gain fiscal control over expenditures. Purchase orders should be utilized to certify availability of funds prior to commitments being incurred. Appropriations should then be encumbered and balances maintained of unencumbered appropriations. Additional purchase orders should be issued only after the fiscal officer determines that sufficient unencumbered appropriations exist in the amount of the requested purchase.

**VILLAGE OF DRESDEN
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
DECEMBER 31, 1998 AND 1997
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - 1898, 1997 (Continued)
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Finding Number	1998-31060-006
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Noncompliance Citation - Negative Fund Balances

Ohio Rev. Code Section 5705.10 states, in part, that money paid into a fund must be used only for the purposes for which said fund has been established.

During 1998, the Street Construction, Maintenance and Repair Fund and the Fire and Squad Fund had material negative fund cash balances throughout the year. This condition indicates that money from other funds were used to pay the obligations of the aforementioned funds. We also noted that the Income Tax and Cemetery Funds had negative fund balances at times during 1997 and 1998, although these negative balances were not considered material in amounts.

We recommend the Village use money paid into a fund only for the allowed purposes of that fund. When cash flow problems arise, monies should be advanced as directed in Auditor of State Bulletin 97-003.

Finding Number	1998-31060-007
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Material Weakness - Receipts Journal

Ohio Admin. Code Section 117-5-10 prescribed the method by which the receipts journal should have been maintained during this audit period.

A receipts journal was not maintained by the Village. As a result, there was no method established whereby Village management could compare budgeted receipts to actual receipts and file any amended certificates of estimated resources when needed.

Although the aforementioned Ohio Admin. Code Section has been rescinded effective July 1, 2000, we recommend budgeted and actual receipts be posted to the receipts journal as recommended in Ohio Admin. Code Section 117-2-02(D)(2) (effective July 1, 2000), to provide useful monthly budget vs. actual comparisons to assist management in monitoring Village operations.

Finding Number	1998-31060-008
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Material Weakness - Pay-in Orders

Ohio Admin. Code Section 117-5-12 required that when money was received by a Village, a pay-in-order was to be executed. The pay-in-order was to be made in duplicate with the original given to the person making payment after all information had been entered in the spaces provided. The duplicate was to remain in the binding and be used as a posting source to the cash journal.

Pay-in-orders were not issued by the Clerk-Treasurer except in the case of cash payments, where a receipt was issued.

**VILLAGE OF DRESDEN
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
DECEMBER 31, 1998 AND 1997
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - 1898, 1997 (Continued)
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Finding Number	1998-31060-008 (Continued)
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Material Weakness - Pay-in Orders (Continued)

Although the aforementioned Ohio Admin. Code Section has been rescinded effective July 1, 2000, we recommend the Village Clerk-Treasurer issue pay-in orders in the form and manner previously required by Ohio Admin. Code Section 117-5-12. If pay-in orders are issued with all appropriate information, then the pay-in orders can be used as a posting source. Amounts on pay-in orders should be posted to both the cash journal and receipts journal.

Finding Number	1998-31060-009
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Material Weakness - Cash Journal

Ohio Admin. Code Section 117-5-09 prescribed the method by which the cash journal was to be maintained. The cash journal maintained by the Village Clerk-Treasurer did not include certain pertinent information, including receipt and appropriation account codes. Since pay-in orders were not utilized by the Clerk-Treasurer, pay-in order numbers could not be recorded in the cash journal.

The lack of account codes within the cash journal made the consultant's reconstruction of financial activity difficult. Audit reclassifications and adjustments were required once we performed a detailed analyses of significant transactions.

Although the aforementioned Ohio Admin. Code Section has been rescinded effective July 1, 2000, we recommend the Village follow Ohio Admin. Code Section 117-2-02(D)(1) (effective July 1, 2000), to properly maintain the cash journal.

Finding Number	1998-31060-010
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Material Weakness - Appropriations Ledger

Ohio Admin. Code Section 117-5-11 prescribed the method by which the appropriations ledger was to be maintained.

Since appropriations were not adopted by Village Council, appropriation amounts could not be posted to an appropriations ledger. As a result, expenditures were made without the benefit of legally adopted appropriations and there was no method established whereby Village management could monitor the types of expenditures being made and the year-to-date expenditures made for any particular expenditure function.

We recommend the Clerk-Treasurer post appropriation amounts to the appropriations ledger, once appropriations are adopted by Village Council and certified by the Budget Commission. Comparisons of budgeted (appropriated) expenditures to actual expenditures should then presented to management as a tool to manage the Village. Guidance for maintaining the appropriations ledger is now included in Ohio Admin. Code Section 117-2-02(D)(3), which became effective July 1, 2000.

**VILLAGE OF DRESDEN
 SCHEDULE OF FINDINGS
 OMB CIRCULAR A-133 §.505
 DECEMBER 31, 1998 AND 1997
 (Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - 1898, 1997 (Continued)

Finding Number	1998-31060-011
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Material Weakness - Management and Monitoring of Village Activity

Procedures for reviewing and monitoring budgetary activity, utility activity, income tax activity, and monthly bank reconciliations of the Village were not established. In addition, Village management had not established procedures to ensure and document that the Village complied with applicable legal requirements.

As a result, we noted material noncompliance and material internal control weaknesses. Without formalized review and monitoring procedures, errors occurred, and irregularities could have occurred, without being detected by Village Council in a timely manner.

We recommend the management of the Village become more actively involved in establishing and monitoring internal controls on a continuing basis. The Clerk-Treasurer could perform monitoring procedures concerning the Income Tax and Utility Departments. Once budgetary control is established, and once a monthly reconciliation form is developed meeting Village management’s needs, Village Council could review and monitor activity as reflected on the monthly reports comparing budget to actual revenues and expenditures, and monthly bank reconciliations prepared by the Clerk-Treasurer. Effective management would include “setting the tone” for Village operations, ensuring employees at all levels understand the purpose and importance of control procedures, and providing the resources necessary to properly design and maintain the internal control structure.

Finding Number	1998-31060-012
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Material Weakness - Vouchered Disbursements Documentation

The small size of the Village’s staff did not allow for an adequate segregation of duties and the Clerk-Treasurer performed all accounting functions. For processing disbursements, Council members approved only a listing of bills and checks were subsequently signed by either the Clerk-Treasurer or, during the time period when the Village had no Clerk-Treasurer, by the Council President, and issued to various vendors. Individual vouchers with invoices attached were not presented for Council’s review and approval.

This procedure could allow improper expenditures to be made without being detected by Village Council.

We recommend the Village Clerk-Treasurer prepare a voucher for each invoice to be paid. The original invoice and purchase order should be attached to the voucher. Once Council (or its designated committee) has reviewed the voucher contents, Council members should sign the voucher indicating their approval for payment. Voucher numbers should correspond to check numbers for future reference purposes. Council should also consider requiring dual signatures on checks, since the segregation of duties obtained with separate clerk and treasurer positions is not present with a combined clerk-treasurer’s position.

**VILLAGE OF DRESDEN
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
DECEMBER 31, 1998 AND 1997
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - 1898, 1997 (Continued)
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Finding Number	1998-31060-013
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Reportable Condition - Cemetery Receipts

There were several procedures utilized for the collection of monies from the sale of cemetery lots. Collections were either first received by the Funeral Director, Cemetery Sexton, or the Cemetery Clerk. In those cases where collections were first received by the Funeral Director or the Cemetery Sexton, collections were eventually forwarded to the Cemetery Clerk. At the time payments were received by the Cemetery Clerk, the sale information was recorded in the cemetery cashbook. The Cemetery Clerk indicated on an index card the name, address, date lots were sold, and location of the lots sold. This index card was given to the Village Clerk-Treasurer, as evidence that a lot had been purchased and paid for, in order for the Clerk-Treasurer to issue the deed to the lots purchased. At the end of each month, a list of all lots sold, with amounts paid for each lot, was given to the Clerk-Treasurer. Any supporting documentation (canceled checks, deposit slips, etc.) was attached to this monthly list.

Of the deeds tested, we noted the following exceptions:

- a) In 42% of the deeds tested, index cards were not on file with the Clerk-Treasurer,
- b) 25% of the deeds were issued where index cards were on file with the Clerk-Treasurer but the sale was not recorded on the Cemetery Clerk's cashbook,
- c) In 8% of the deeds tested, neither the sale of the lot was recorded in the Cemetery Clerk's cashbook nor was an index card on file with the Clerk-Treasurer.
- d) In 83% of the deeds tested, either names of customers purchasing lots and lot numbers could not be located on monthly summaries given to the Clerk-Treasurer or monthly summaries were not on file at all with the Clerk-Treasurer.
- e) In 100% of the deeds tested, there was no documentation on the deeds to indicate the residence of the buyer. Since Village Ordinance 95-23 sets rates for residents of Dresden and Jefferson Townships that differ from the rates for residents of other Townships for opening and closing of graves, then it is necessary to record the residence of each customer to assure compliance with the Village ordinance.

In addition to the exceptions noted in our tests of deeds, we noted instances in which there was an entry made to the cashbook for the receipt of fees from opening and closing of graves but no burial permit was noted as supporting documentation. Our review of burial permits for the opening and closing of graves indicated that permits were not issued in numerical order. These conditions could allow errors or irregularities to occur and go undetected by management.

We recommended the following:

- a) The Cemetery Clerk should collect all cemetery-related fees and costs, including proceeds from the sale of lots and opening and closing of graves. Once lots are paid in full, the Cemetery Clerk should issue the deeds. Periodically, the Cemetery Clerk should forward the monies to the Village Clerk-Treasurer, at which time the Clerk-Treasurer should issue a pay-in order to the Cemetery Clerk. The Clerk-Treasurer would neither maintain any cemetery records nor issue any cemetery deeds. Payments made in this fashion would greatly reduce the possibility of misplacement of receipts and assure receipts are recorded in a timely fashion.

**VILLAGE OF DRESDEN
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
DECEMBER 31, 1998 AND 1997
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - 1898, 1997 (Continued)
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Finding Number	1998-31060-013 (Continued)
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Reportable Condition - Cemetery Receipts (Continued)

- b) The Cemetery Clerk should maintain documentation of each customer’s residence and attach this supporting documentation to the cemetery deed and/or burial permits.
- c) When a payment is made to the Cemetery Clerk, a duplicate receipt should be completed. One copy of the receipt can be given to the customer and the other should be maintained in the duplicate receipt book. At the end of each day (or days when receipts are received) a report could be produced documenting all lots purchased and all graves opened and closed for that day. From this report, a deposit slip can be completed. The deposit can be then made to the Village’s depository once a pay-in order is received from the Clerk-Treasurer. A copy of the validated deposit slip, daily report, and any other supporting documentation should be filed together and maintained by the Cemetery Clerk.
- d) Burial permits should be issued in sequential order to assure all permits are accounted for.

Finding Number	1998-31060-014
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Material Weakness - Payroll System

During our review of the Village’s payroll system, we noted the following conditions:

- a) Personnel files were not established for all part-time employees, and existing files did not always indicate the position and/or classification of the employees, the employee’s hire date, copies of retirement system enrollment forms, related benefit and tax forms, voluntary deduction forms, approved pay rate information, approved employee contracts and policy acknowledgment forms;
- b) Time sheets were not always submitted by various employees and when time sheets were submitted, they were not always approved by supervisory personnel;
- c) The number of hours, type of duty and compensation of auxiliary police officers was not approved by the Mayor, although required per Village Ordinance 92-10; and
- d) Formal leave request forms were not utilized. There were no records maintained by the Clerk-Treasurer to document leave hours allotted or used during the year for part-time employees.

These conditions could allow errors and/or irregularities to occur and go undetected by management.

We recommend the following:

- a) Personnel files should be established for each employee and all files should contain pertinent payroll information including, but not limited to, documentation of employee’s hire date, position and/or classification of employment, tax withholding forms, retirement forms, voluntary deduction forms, approved pay rate information, approved employee contracts, policy acknowledgment forms, and evaluations;

**VILLAGE OF DRESDEN
 SCHEDULE OF FINDINGS
 OMB CIRCULAR A-133 §.505
 DECEMBER 31, 1998 AND 1997
 (Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - 1898, 1997 (Continued)

Finding Number	1998-31060-014 (Continued)
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Material Weakness - Payroll System (Continued)

- b) Payments to employees should be supported by an employee time sheet and time sheets should be reviewed and approved by supervisory personnel. Payments to officials should be made in accordance with properly adopted pay ordinances;
- c) The Mayor should approve the number of hours, type of duty and compensation of auxiliary police officers as required by Village Ordinance 92-10; and
- d) Village Council should adopt, in ordinance form, procedures to be followed when leave is requested and used. Records should be established to document leave accumulated and used.

Finding Number	1998-31060-015
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Noncompliance Citation - Ohio Water Pollution Control Loan

The State of Ohio Water Pollution Control (OWPC) Loan Fund - Compliance Certification, as certified by the Village Mayor, requires the Village to maintain a dedicated repayment source(s) sufficient to repay the OWPC loan in its entirety. Specifically, the Village should set aside 35% of Waste Water Operating revenues, not including tap fees or other reimbursements/revenues. Additionally, the OWPC Loan Fund Agreement states, in part, that the Municipality shall provide a fund for the purpose of providing the necessary funds to pay the interest and principal on the loan when due.

The Village established a separate fund to account for the repayment of debt related to the loan. However, during part of 1997, and for the majority of 1998, monies were not allocated to this fund in accordance with the OWPC Loan Fund Agreement. As a result, transfers were necessary to be made from the Income Tax Fund into the Sewer Construction Fund to enable debt payments to be made as scheduled in the Agreement. Monies from the Income Tax Fund were expended for the repayment of debt rather than from the Waste Water revenues.

We recommend 35% of Waste Water operating revenue (not to include tap fees or other reimbursements/receipts) be allocated to the Sewer Construction Fund at the end of the month when the Utilities Clerk presents the pay-in for monthly utility collections. This allocation will ensure that sources are available to make the debt payments as required by the Agreement.

**VILLAGE OF DRESDEN
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
DECEMBER 31, 1998 AND 1997
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - 1898, 1997 (Continued)
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Finding Number	1998-31060-016
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Noncompliance Citation - Establishment of Funds

Section 4 of Village Ordinance No. 98-21 - An Ordinance Authorizing the Issuance of \$621,800 of Bonds for the Purpose of Paying Part of the Cost of Constructing a Fire Station and Declaring an Emergency and Section 4 of Village Ordinance 98-10 - An Ordinance Authorizing the Issuance of \$300,000 of Bonds for the Purpose of Paying Part of the Cost of Constructing a Fire Station and Declaring an Emergency require, in part, that the Municipality provide a fund for the purpose of providing the necessary funds to pay the interest and principal on the Bonds when due. The Village did not establish a debt service fund. All debt activity was reported within the Fire and Squad Fund, an Enterprise Fund Type, during our audit period.

Without the establishment and use of a separate fund for the repayment of debt, compliance with debt requirements will not be met.

We recommend the Clerk-Treasurer establish a Fire Station Debt Fund, within the Debt Service Fund Type. This fund shall be used to account for the receipt and disbursement activity related to the payment of this debt.

Finding Number	1998-31060-017
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Material Weakness - Issue II Program

The Village participated in the Issue II Program administered by the Ohio Public Works Commission. A separate Capital Projects Fund was established to account for project costs relating to the Issue II project. However, we noted one receipt recorded in the General Fund which should have been recorded in the Capital Projects Fund. In addition, two transactions made by the State of Ohio on behalf of the Village were not recorded in the Capital Projects Fund.

As a result, Issue II Program activity was not properly reflected in the Capital Projects Fund and adjustments were made to the General Fund and Capital Projects Fund to properly reflect all Issue II Project activity.

We recommend the Clerk-Treasurer follow those procedures prescribed in Auditor of State Management Advisory Services Bulletin 89-17 to properly account for Issue II Program activity.

**VILLAGE OF DRESDEN
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
DECEMBER 31, 1998 AND 1997
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - 1898, 1997 (Continued)
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Finding Number	1998-31060-018
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Material Weakness - FEMA Project

The Village did not establish a separate fund to account for FEMA project transactions. Although work was performed by the Village Street Department, the Village receipted FEMA monies into the General Fund.

As a result, an adjustment was required to reflect the reimbursement of expenses in the Street Construction, Maintenance and Repair Fund rather than the General Fund.

Should additional FEMA monies become available to the Village in the future, we recommend the Clerk-Treasurer establish a FEMA Fund within the Special Revenue Fund Type. Guidance for the establishment of the FEMA Fund and the proper accounting of the FEMA grant is outlined in Auditor of State Bulletin 98-013.

Finding Number	1998-31060-019
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Reportable Condition - Timely Deposits

Ohio Rev. Code Section 9.38 requires any public official or employee who collects or receives payments due the public to deposit all money received by him/her, with the Treasurer of the public office or properly designated depository once every twenty-four consecutive hours. It should be noted that effective November 2, 1999, per House Bill 220, an option is available of either depositing the monies the next business day following the date of receipt or adopting a policy permitting a different time period. However, the alternate time period may not exceed three business days.

Testing of Mayor's Court receipts, as well as the Cemetery and Income Tax Departments' receipts revealed the Village did not timely deposit monies. Also, the monies received from the Longaberger donation were not deposited in a timely manner. Untimely depositing results in the Village not earning interest on those monies and may increase the likelihood of theft.

We recommend that monies received by Village personnel be deposited within twenty-four hours of receipt.

**VILLAGE OF DRESDEN
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
DECEMBER 31, 1998 AND 1997
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - 1898, 1997 (Continued)
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Finding Number	1998-31060-020
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Material Weakness - Emergency Squad Receipts

During the performance of testing of the Village's Emergency Squad Receipts we noted the following:

- a) History Reports from the Village's billing provider were not presented for audit for the months of September through December of 1997 and January and April of 1998. Upon further review of existing records and discussion with Village personnel, it appears that information may not have been sent to the billing company during this time period due to the Village operating without a Clerk-Treasurer.
- b) The Village's billing company routinely reduced amounts owed on patient's bills based on Medicare regulations disallowing certain costs. There was no further effort on the part of the Village to collect these costs from the patients.
- c) Since pay-in orders were not issued by the Clerk-Treasurer, Emergency Squad receipts were not easily identified when deposited by the Village. Records maintained by the Emergency Squad personnel did not include documentation for certain Emergency Squad runs made.
- d) Village personnel did not perform any type of reconciliation between what Emergency Squad runs were made and submitted to the billing company and what was received corresponding to the runs submitted for billing.
- e) The Village did not monitor delinquent accounts and did not have a policy on how to account for bad debts.

These weaknesses could allow errors and/or irregularities to occur and go undetected by Village management. In addition, for those time periods in which it appears that certain Emergency Squad runs may have been made but never billed, the Village may have lost revenues.

We recommend the Village take the appropriate action to follow up on the runs which may not have been billed. We also recommend the Village Council adopt policies concerning the billing and collection procedures to be followed. The policies adopted should provide for the reporting of Emergency Squad activity in a manner that would enable management to monitor this department. Monthly reports comparing runs made to runs submitted to and billed by the billing company, and comparing runs submitted to the billing company to receipts collected for these runs, would be useful in monitoring this department. Village Council should formally note the receipt and acceptance of Emergency Squad reports in Council's minutes.

**VILLAGE OF DRESDEN
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
DECEMBER 31, 1998 AND 1997
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - 1898, 1997 (Continued)**

Finding Number	1998-31060-021
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Material Weakness - Payroll Reconciliations

Throughout the audit period, the payroll clearing account was not reconciled to the amount of payroll account liabilities outstanding. Effective controls were not in place to assure that withholdings were reported or remitted in a timely manner, that net pay was in agreement with the payroll ledger and authorized pay rates, and that payroll account deposits and expenditures were proper.

This condition allowed non-compliance with various regulations and a number of errors to occur without being detected by management in a timely manner. These errors included: untimely remittances to the Internal Revenue Service for federal withholdings, untimely remittances to the Ohio Department of Taxation for State withholdings, untimely remittances to both Public Employees Retirement System and to Police and Firemen’s Disability Pension Fund for retirement withholdings from the payroll clearing account. This condition also contributed to the assessment of significant interest and penalties against the Village for late payments and reporting of withholdings.

The Village should determine the amount of payroll account liabilities outstanding and balance the account to those liabilities on a monthly basis. The Village should also establish formalized control procedures including procedures to verify reconciliations are accurately and timely performed, net payroll checks are in agreement with the payroll ledger, payroll withholdings are reported and remitted in a timely manner, and payroll account activity includes accurate deposits of gross payroll amounts and only those expenditures which are liabilities of the payroll clearing account.

3. FINDINGS FOR FEDERAL AWARDS - 1998

Finding Number	1998-31060-022
CFDA Title and Number	Community Facilities Loans and Grants (CFDA #10.766)
Federal Award Number/Year	1997
Federal Agency	U. S. Department of Agriculture
Pass-Through Agency	N/A

**VILLAGE OF DRESDEN
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
DECEMBER 31, 1998 AND 1997
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS - 1998 (Continued)

Noncompliance Citation - Reporting

7 C.F.R. Section 1942.17(q)(2) (1998) provides that required reports will furnish the management with a means of evaluating prior decisions and serve for planning future operations and financial conditions. In those cases where FmHA or its successor agency under Public Law 103-354 loans are secured by general obligation bonds or assessments and the borrower combines revenues from all sources, one management report covering all such revenues will suffice. The following management data will be submitted by the borrower to the FmHA or its successor agency under Public Law 103-354 District Director. Prior to the beginning of each fiscal year, two copies, with data entered in column three only of the Statement of Budget, Income and Equity and a Projected Cash Flow Schedule, will be submitted to the District Director. Twenty days after the end of the first three quarters of each year, two copies with all information furnished on the Statement of Budget, Income and Equity will be submitted. For the fourth quarter of each year, reports are to be submitted together with the year-end financial reports.

The Village received the proceeds from a United States Department of Agriculture Community Facilities Loan during 1998. The Letter of Conditions for the loan required that quarterly reports be prepared on Form FmHA 442-2 with copies distributed for the information of all members of the governing body and for the Government review. A copy of the proposed budget for the ensuing year was also to be submitted to the Government for review at the end of each fiscal year. The Letter of Conditions also required the Village to keep a suitable set of financial records.

Although in March of 2000, the Village's management met with representatives from the United States Department of Agriculture and submitted the Village's budget for 2000, 1999 statements of activity, and a quarterly report for the first three months of 2000; after the loan closing, 1998 and 1999 quarterly reports were not prepared or distributed as required. The 1999 budget was also not submitted as required. As noted elsewhere in this report, the Village did not maintain the required accounting ledgers during the audit period. Subsidiary financial records for the fire station project also were not maintained and it was difficult to determine if the receipt and disbursement activity of the project was accurately reported.

We recommend the required reports be prepared and submitted when due. Should the Village participate in any FmHA programs in the future, then representatives from FmHA should be consulted to assure that all required ledgers are maintained by the Village.

**VILLAGE OF DRESDEN
CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
DECEMBER 31, 1998 AND 1997**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1998-31060-022	The Clerk-Treasurer will provide quarterly reports to the United States Department of Agriculture.	N/A.	Holly Jones, Clerk-Treasurer.
1998-31060-007, 1998-31060-009, 1998-31060-010	The Village began utilizing the Uniform Accounting Network (UAN) accounting software on August 1, 2000. As a result, the cash journal, receipts ledger, and appropriations ledger are now being maintained.	N/A.	Holly Jones, Clerk-Treasurer.
1998-31060-001, 1998-31060-002, 1998-31060-003, 1998-31060-004, 1998-31060-005, 1998-31060-006, 1998-31060-008, 1998-31060-011	The Village did not have sufficient records and balances to enable management to file accurate budgetary documents. With audited balances now available and the implementation of the UAN accounting system on August 1, 2000, management can adequately monitor financial activity in order to comply with budgetary law.	N/A.	Holly Jones, Clerk-Treasurer.
1998-31060-012	A list of bills to be paid along with a check register are presented to Council for Council's approval.	N/A.	Holly Jones, Clerk-Treasurer.
1998-31060-013	The Cemetery Clerk now collects all cemetery monies, issues duplicate receipts and deeds. Documentation of residence will be incorporated into the forms utilized by the Cemetery.	N/A.	Robert Lane, Mayor.
1998-31060-014	Personnel files have been established for all full-time and part-time employees. Time sheets are submitted by each employee and signed by the department head in charge. Hours for auxiliary officers are authorized by the Mayor. Formal leave forms will be utilized when necessary.	N/A.	Holly Jones, Clerk-Treasurer.

**VILLAGE OF DRESDEN
CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
DECEMBER 31, 1998 AND 1997
(Continued)**

Finding Number(s)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1998-31060-015	35% of all sewer operating money is now allocated to the Sewer Construction Fund.	N/A.	Holly Jones, Clerk-Treasurer.
1998-31060-016	A Fire Station Debt Service Fund has been established to track the principal and interest payments on the Fire Station Debt.	N/A.	Holly Jones, Clerk-Treasurer.
1998-31060-017	The Clerk-Treasurer will follow the Issue II guidelines for future Issue II funding.	N/A.	Holly Jones, Clerk-Treasurer.
1998-31060-018	In the event of future FEMA funding, the Clerk-Treasurer will establish a separate FEMA fund.	N/A.	Holly Jones, Clerk-Treasurer.
1998-31060-019	Public officials have been instructed to deposit monies collected within 24 hours.	N/A.	Donald Faulhaber, Council President.
1998-31060-020	The Village has contracted with Paumier Medical Management Group to bill all squad runs. All monies are collected by the Clerk-Treasurer. Detailed monthly reports are prepared by the Group and provided to the Clerk-Treasurer and the Fire Department for review.	N/A.	Donald Faulhaber, Council President.
1998-31060-021	Payroll reconciliations have been performed and any excess balance will be transferred to the General Fund.	N/A.	Holly Jones, Clerk-Treasurer.



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VILLAGE OF DRESDEN

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
NOVEMBER 14, 2000**