

Village of Dennison

Audited Financial Statements

December 31, 2003 and 2002



**Auditor of State
Betty Montgomery**

Mayor and Village Council
Village of Dennison
302 Grant Street
Dennison, Ohio 44621

We have reviewed the Independent Auditor's Report of the Village of Dennison, Tuscarawas County, prepared by Rea & Associates, Inc., for the audit period January 1, 2002 through December 31, 2003. 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.

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 Dennison is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

November 22, 2004

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VILLAGE OF DENNISON
TUSCARAWAS COUNTY

DECEMBER 31, 2003 AND 2002

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

August 26, 2004

Mayor and Members of Council
Village of Dennison
302 Grant Street
Dennison, OH 44621

Independent Auditor's Report

We have audited the accompanying financial statements of the Village of Dennison (the "Village") as of and for the years ended December 31, 2003 and 2002, as listed in the table of contents. 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 audits in accordance with auditing standards generally accepted in the United States of America 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 audits provide 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Dennison as of December 31, 2003 and 2002, 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 also have issued our report dated August 26, 2004 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Mayor, Village Council, management, 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.

Rea & Associates, Inc.

VILLAGE OF DENNISON
TUSCARAWAS COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	General	Special Revenue	(Memorandum Only) Total
CASH RECEIPTS:			
Taxes	\$ 755,143	\$ 11,879	\$ 767,022
Intergovernmental Receipts	137,480	356,299	493,779
Charges for Services	9,419	20,794	30,213
Fines, Licenses and Permits	10,715	0	10,715
Rent	16,000	0	16,000
Earnings on Investments	991	200	1,191
Miscellaneous	6,656	126	6,782
<i>Total Cash Receipts</i>	<u>936,404</u>	<u>389,298</u>	<u>1,325,702</u>
CASH DISBURSEMENTS:			
Current:			
Security of Persons and Property	503,055	18,634	521,689
Leisure Time Activities	0	53,507	53,507
Community Environment	14,109	0	14,109
Basic Utility Services	18,419	0	18,419
Transportation	0	107,457	107,457
General Government	166,020	0	166,020
Capital Outlay	0	134,872	134,872
Debt Service:			
Principal Payments	475,530	7,517	483,047
Interest Payments	21,649	633	22,282
<i>Total Cash Disbursements</i>	<u>1,198,782</u>	<u>322,620</u>	<u>1,521,402</u>
<i>Total Cash Receipts Over/(Under) Disbursements</i>	<u>(262,378)</u>	<u>66,678</u>	<u>(195,700)</u>
OTHER FINANCING RECEIPTS/(DISBURSEMENTS):			
Proceeds from Loans	430,000	0	430,000
Transfers - In	0	43,691	43,691
Transfers - Out	(43,691)	0	(43,691)
Other Financing Source (Use)	(50)	1,059	1,009
<i>Total Other Financing Receipts (Disbursements)</i>	<u>386,259</u>	<u>44,750</u>	<u>431,009</u>
<i>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</i>	123,881	111,428	235,309
<i>Fund Cash Balances, January 1</i>	<u>164,881</u>	<u>161,548</u>	<u>326,429</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 288,762</u>	<u>\$ 272,976</u>	<u>\$ 561,738</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$ 4,236</u>	<u>\$ 3,561</u>	<u>\$ 7,797</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF DENNISON
TUSCARAWAS COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	(Memorandum Only)		
	General	Special Revenue	Total
CASH RECEIPTS:			
Taxes	\$ 717,827	\$ 11,613	\$ 729,440
Intergovernmental Receipts	196,573	544,615	741,188
Charges for Services	7,224	31,972	39,196
Fines, Licenses and Permits	12,737	0	12,737
Rent	16,000	0	16,000
Earnings on Investments	2,744	352	3,096
Donations	0	38,411	38,411
Miscellaneous	28,322	11,592	39,914
<i>Total Cash Receipts</i>	<u>981,427</u>	<u>638,555</u>	<u>1,619,982</u>
CASH DISBURSEMENTS:			
Current:			
Security of Persons and Property	591,758	33,546	625,304
Public Health Services	254	0	254
Leisure Time Activities	0	62,087	62,087
Community Environment	13,999	9,464	23,463
Basic Utility Services	18,231	0	18,231
Transportation	0	200,579	200,579
General Government	256,228	0	256,228
Capital Outlay	0	449,714	449,714
Debt Service:			
Principal Payments	469,885	176,849	646,734
Interest Payments	27,296	1,104	28,400
<i>Total Cash Disbursements</i>	<u>1,377,651</u>	<u>933,343</u>	<u>2,310,994</u>
<i>Total Cash Receipts Over/(Under) Disbursements</i>	<u>(396,224)</u>	<u>(294,788)</u>	<u>(1,123,803)</u>
OTHER FINANCING RECEIPTS/(DISBURSEMENTS):			
Proceeds from Loans	430,155	169,803	599,958
Transfers - In	0	65,022	65,022
Transfers - Out	(65,022)	0	(65,022)
Other Financing Source	0	1,633	1,633
<i>Total Other Financing Receipts (Disbursements)</i>	<u>365,133</u>	<u>236,458</u>	<u>601,591</u>
<i>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</i>	<u>(31,091)</u>	<u>(58,330)</u>	<u>(89,421)</u>
<i>Fund Cash Balances, January 1</i>	<u>195,972</u>	<u>219,878</u>	<u>415,850</u>
Fund Cash Balances, December 31	<u>\$ 164,881</u>	<u>\$ 161,548</u>	<u>\$ 326,429</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$ 7,770</u>	<u>\$ 1,673</u>	<u>\$ 9,443</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Dennison, Tuscarawas County, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including park operations (leisure time activities), and police and fire 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. 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

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The Village maintains all cash in a checking or money market savings account, which is valued at cost.

D. Fund Accounting

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

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.

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:

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Parks and Recreation Fund – This fund receives monies from charges for services for operating the pool and park.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2003 and 2002 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 in the financial statements.

G. Accumulated Leave

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

VILLAGE OF DENNISON
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 2: RESTATEMENT OF FUND BALANCE

Fund Cash Balance at the beginning of 2002 in the Special Revenue Fund has been adjusted to correct an error where the Village still has not posted a 1999 audit adjustment. This error causes the cash balance to be overstated. The error had no effect on net income for 2002 or 2003.

Balance, beginning of year as previously reported	\$234,596
Prior-period adjustment – error of adjustment not posted	<u>(14,718)</u>
Balance, beginning of year as restated	<u>\$219,878</u>

NOTE 3: EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2003</u>	<u>2002</u>
Demand deposits	<u>\$ 561,738</u>	<u>\$ 326,429</u>

Deposits

Contrary to Ohio Revised Code §135.18, the Village did not have sufficient collateral to cover depository balances during 2003 and 2002.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

NOTE 4: BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2003 and 2002 is as follows:

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 966,709	\$ 1,366,404	\$ 399,695
Special Revenue	<u>1,187,120</u>	<u>434,048</u>	<u>(753,072)</u>
Total	<u>\$ 2,153,829</u>	<u>\$ 1,800,452</u>	<u>\$ (353,377)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,060,603	\$ 1,246,759	\$ (186,156)
Special Revenue	<u>1,434,700</u>	<u>326,181</u>	<u>1,108,519</u>
Total	<u>\$ 2,495,303</u>	<u>\$ 1,572,940</u>	<u>\$ 922,363</u>

2002 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,036,706	\$ 1,411,582	\$ 374,876
Special Revenue	<u>1,575,830</u>	<u>875,013</u>	<u>(700,817)</u>
Total	<u>\$ 2,612,536</u>	<u>\$ 2,286,595</u>	<u>\$ (325,941)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,195,914	\$ 1,450,443	\$ (254,529)
Special Revenue	<u>1,776,550</u>	<u>935,016</u>	<u>841,534</u>
Total	<u>\$ 2,972,464</u>	<u>\$ 2,385,459</u>	<u>\$ 587,005</u>

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

NOTE 4: BUDGETARY ACTIVITY (Continued)

During 2002 and 2003, appropriations exceeded estimated resources in several Village funds, which is contrary to Ohio Revised Code §5705.39.

NOTE 5: PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 semi-annual 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 each April 30.

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

NOTE 6: LOCAL INCOME TAX

The Village levies a municipal income tax of 2% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside the Village.

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

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

NOTE 7: DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Fire Truck Note	\$ 40,000	6.25%
Industrial Park Improvement Note	424,625	3.00%
Dump Truck Note	3,947	6.50%
Total	\$ 468,572	

In August of 2000, the Village of Dennison took out a series of four notes (\$40,000 each) from the First National Bank of Dennison to purchase a fire truck.

The Village of Dennison issued a note in 2003 with the First National Bank of Dennison for the Industrial Park Improvements. The note was originally acquired in April of 2000 as an open note and was still being drawn upon until 2002. The note was refinanced in 2002 and again in September 2003. The Village was only paying interest on this note until the refinancing in September 2003. The Village began paying principal on this note in October 2003.

Finally, in December 2000, the Village of Dennison took out a note from the First National Bank of Dennison for the purchase of a dump truck.

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

Year ending December 31:	Fire Truck Note:	Dump Truck Note:	Industrial Park Imp. Note
2004	40,000.00	3,947.49	21,499.92
2005	0.00	0.00	21,499.92
2006	0.00	0.00	21,499.92
2007	0.00	0.00	21,499.92
2008	0.00	0.00	21,499.92
2009-2013	0.00	0.00	107,499.60
2014-2018	0.00	0.00	107,499.60
2019-2023	0.00	0.00	102,126.22

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

NOTE 8: RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F 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 2003 and 2002 members of OP&F contributed 10% of their wages to the OP&F. The Village contributed an amount equal to 19.5% of participant's gross salaries. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

NOTE 9: RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles
- General Liability
- Public Official's Liability
- Employers Liability; and
- Law Enforcement Liability

NOTE 10: JOINTLY GOVERNED ORGANIZATIONS

A. Twin City Water and Sewer District (District)

The District is a jointly governed organization under Ohio Revised Code §6119.01, and is established to supply water to and to provide for the collection, treatment and disposal of waste water within the Uhrichsville-Dennison district, or beyond with additional fees. During 2003 and 2002, no monies were paid to the District by the Village.

B. Uhrichsville-Dennison-Union Mill Cemetery (Cemetery)

The Cemetery is a jointly governed organization under Ohio Revised Code §759.27, and is directed by an appointed three-member board. Uhrichsville, Dennison and Union Mill Township each appoint one member to the board. The Cemetery provides burial services, operations and maintenance of the cemetery. During 2003 and 2002, no monies were paid to the Cemetery by the Village.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

NOTE 10: JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Community Improvement Corporation of Tuscarawas County (Corporation)

The Corporation is operated by Tuscarawas County, New Philadelphia, Dover, Uhrichsville, Dennison, Strasburg, Sugar Creek and Gnadenhutten. It is controlled by 25 trustees consisting of the three County Commissioners, the mayor of each participating city and 15 self-elected trustees. The board exercises total control over the operations of the Corporation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the board. During 2003 and 2002, no monies were paid to the Corporation by the Village.

D. Tuscarawas County Regional Planning Commission (Commission)

The Village is associated with the Tuscarawas County Regional Planning Commission as a Jointly Governed Organization. The Commission is statutorily created political subdivision of the State. The Commission is jointly governed among Tuscarawas County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economical and governmental characteristics, functions and services of the county. In 2003 and 2002, \$176 and \$299 were paid to the Commission by the Village, respectively.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

August 26, 2004

Village Council
Village of Dennison
302 Grant Street
Dennison, OH 44621

Report of Independent Accountant's on Compliance and on Internal Control Required by Government Auditing Standards

We have audited the financial statements of the Village of Dennison (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 26, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as items 2003-001 through 2003-002.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 26, 2004.

Internal Control over Financial Reporting

In planning and performing our audits, 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. 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 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 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. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Village in a separate letter dated August 26, 2004.

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

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

August 26, 2004

Mayor and Members of Council
Village of Dennison
302 Grant Street
Dennison, OH 44621

Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major Program and Internal
Control Over Compliance in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of the Village of Dennison (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 programs for the year ended December 31, 2002. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of State, 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. 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 of Dennison 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, 2002.

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 the 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.

Schedule of Expenditures of Federal Awards - Non-GAAP Budgetary Basis

We have audited the financial statements of the Village of Dennison as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 26, 2004. Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for 2002 is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. 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 for the information and use of the Mayor, City Council, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Hea & Associates, Inc.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2002 AND 2003

1. SUMMARY OF AUDITOR'S RESULTS

A-133 Ref.
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(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 reportable conditions reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list):	Community Development Block Grant– CFDA #14.228
(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 DENNISON
TUSCARAWAS COUNTY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2002 AND 2003

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

Material Noncompliance

FINDING NUMBER	2003 – 001
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Ohio Rev. Code Section 135.18 states that the Clerk/Treasurer shall require the institution designated as a public depository to pledge to and deposit with him, as security for the repayment of all public monies to be deposited in the depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public monies which are insured by the federal deposit insurance corporation. The Village did not have sufficient collateral to cover depository balances for two months in 2002 and five months in 2003. During the years audited, the excess depository balances over collateral ranged from approximately \$56,000 to \$180,000.

The Village should request monthly collateral statements from the bank to monitor the Village's fund balance in relation to the collateral pledged.

FINDING NUMBER	2003 – 002
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Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated resources from each fund. This section also requires the Village to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During fiscal year 2003, total appropriations exceeded total estimated resources as follows:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Street Maintenance & Repair Fund	\$ 109,750	\$ 329,700	\$ 219,950

During fiscal year 2002, total appropriations exceeded total estimated resources as follows:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
COPS More Fund	\$ 9,655	\$ 12,300	\$ 2,645
Depot Phase V Project Fund	340,000	680,000	340,000

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2002 AND 2003**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS	
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NONE	
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**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA #	Pass-Through Grantor's Number	Program Award Amount	2002 Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: <i>(Passed through Ohio Department of Development)</i>				
Community Development Block Grant	14.228	C-W-99-206-1	251,500	\$ 241,500
U.S. DEPARTMENT OF TRANSPORTATION: <i>(Passed through Ohio Department of Transportation)</i>				
Highway Planning and Construction	20.205	01N084	180,000	141,514
U.S. DEPARTMENT OF JUSTICE:				
Direct Award				
Cops Fast Grant	16.710	1995-CFWX-2016	92,873	27,689
Cops More	16.710	2000-CMWX-0447	22,784	<u>9,442</u>
Total U.S. Department of Justice				<u>37,131</u>
TOTAL FEDERAL AWARD EXPENDITURES				<u><u>\$ 420,145</u></u>

VILLAGE OF DENNISON
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-31279-001	Ohio Rev. Code Section 5705.41(D) certifying expenditures	No	Partially Corrected; Significantly fewer violations, therefore, moved to Management Letter.
2001-31279-002	Ohio Rev. Code Section 135.18 securing adequate collateral.	No	Not Corrected; see Finding 2003-001
2001-31279-003	Ohio Rev. Code Section 5705.39 appropriations exceeding estimated resources.	No	Not Corrected; see Finding 2003-002

VILLAGE OF DENNISON
TUSCARAWAS COUNTY

CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
FOR THE YEAR ENDED DECEMBER 31, 2003

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	The Village plans to request monthly collateral statements from the bank to monitor their fund balance in relation to the collateral pledged.	12/31/04	Alice Torch, Village Clerk
2003-002	The Village plans to monitor and review budgetary information to ensure that appropriations do not exceed estimated resources.	12/31/04	Alice Torch, Village Clerk



**Auditor of State
Betty Montgomery**

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VILLAGE OF DENNISON

TUSCARAWAS 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
DECEMBER 7, 2004**