

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY
Regular Audit
For the Years Ended December 31, 2010 and 2009**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Village Council
Village of Dresden
904 Chestnut Street
Dresden, Ohio 43821

We have reviewed the *Independent Accountants' Report* of the Village of Dresden, Muskingum County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 5, 2011

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VILLAGE OF DRESDEN
MUSKINGUM COUNTY

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Perry & Associates
Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

INDEPENDENT ACCOUNTANTS' REPORT

April 15, 2011

Village of Dresden
Muskingum County
904 Chestnut Street
Dresden, OH 43821

To the Village Council:

We have audited the accompanying financial statements of **Village of Dresden**, Muskingum County, Ohio, (the Village) as of and for the years ended December 31, 2010 and 2009. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009 or their changes in financial position or cash flows, where applicable, for the years then ended.

Also, 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 Village of Dresden, Muskingum County, Ohio, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Local Taxes	\$ 146,424	\$ 7,228	\$ 44,696	\$ 198,348
Municipal Income Tax	2,324	233,095	-	235,419
Intergovernmental	96,987	141,162	-	238,149
Special Assessments	-	20,187	-	20,187
Charges for Services	-	16,625	-	16,625
Fines, Licenses, and Permits	2,076	-	-	2,076
Earnings on Investments	1,801	21	-	1,822
Miscellaneous	22,543	-	-	22,543
Total Cash Receipts	\$272,155	\$418,318	44,696	735,169
Cash Disbursements:				
Current:				
Security of Persons and Property	224,137	19,661	-	243,798
Public Health Services	-	19,331	-	19,331
Transportation	-	305,663	-	305,663
General Government	106,228	24,018	1,056	131,302
Debt Service:				
Redemption of Principal	-	16,212	77,942	94,154
Interest and Fiscal Charges	-	2,997	16,677	19,674
Total Cash Disbursements	330,365	387,882	95,675	813,922
Total Cash Receipts Over/(Under) Disbursements	(58,210)	30,436	(50,979)	(78,753)
Other Financing Receipts/(Disbursements):				
Sale of Fixed Assets	27,221	-	-	27,221
Transfers-In	10	169,412	53,495	222,917
Transfers-Out	-	(222,917)	-	(222,917)
Other Financing Sources	4,305	-	-	4,305
Other Financing Uses	(1,008)	-	-	(1,008)
Total Other Financing Receipts/(Disbursements)	30,528	(53,505)	53,495	30,518
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(27,682)	(23,069)	2,516	(48,235)
Fund Cash Balances, January 1	49,043	55,380	119,964	224,387
Fund Cash Balances, December 31	\$ 21,361	\$ 32,311	\$ 122,480	\$ 176,152
Reserve for Encumbrances, December 31	\$ 1,621	\$ 1,071	\$ -	\$ 2,692

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 786,304	\$ -	\$ 786,304
Total Operating Revenues	<u>786,304</u>	<u>-</u>	<u>786,304</u>
Operating Cash Disbursements:			
Personal Services	163,640	-	163,640
Fringe Benefits	72,234	-	72,234
Contractual Services	263,740	-	263,740
Supplies and Materials	271,849	-	271,849
Other	400	-	400
Total Operating Cash Disbursements	<u>771,863</u>	<u>-</u>	<u>771,863</u>
Operating Income (Loss)	<u>14,441</u>	<u>-</u>	<u>14,441</u>
Non-Operating Cash Receipts/(Disbursements):			
Other Debt Proceeds	986,775	-	986,775
Intergovernmental	731,207	-	731,207
Capital Outlay	(877,286)	-	(877,286)
Miscellaneous Receipts	522	-	522
Other Non-Operating Cash Receipts	-	4,305	4,305
Other Non-Operating Cash Disbursements	-	(4,305)	(4,305)
Redemption of Principal	(811,693)	-	(811,693)
Interest and Fiscal Charges	(4,246)	-	(4,246)
Total Non-Operating Cash Receipts/(Disbursements)	<u>25,279</u>	<u>-</u>	<u>25,279</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers/Advances	39,720	-	39,720
Transfers-In	4,900	-	4,900
Transfers-Out	(4,900)	-	(4,900)
Net Receipts Over/(Under) Cash Disbursements	39,720	-	39,720
Fund Cash Balances, January 1	<u>595,314</u>	<u>-</u>	<u>595,314</u>
Fund Cash Balances, December 31	<u>\$ 635,034</u>	<u>\$ -</u>	<u>\$ 635,034</u>
Reserve for Encumbrances, December 31	<u><u>\$ 1,086</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,086</u></u>

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Local Taxes	\$ 137,521	\$ 6,282	\$ 37,516	\$ 181,319
Municipal Income Tax	1,656	268,285	-	269,941
Intergovernmental	103,631	43,981	-	147,612
Special Assessments	-	18,464	-	18,464
Charges for Services	-	14,400	-	14,400
Fines, Licenses, and Permits	2,024	-	-	2,024
Earnings on Investments	17,858	50	-	17,908
Miscellaneous	26,282	-	-	26,282
	<u>\$288,972</u>	<u>\$351,462</u>	<u>37,516</u>	<u>677,950</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	218,502	17,942	-	236,444
Public Health Services	-	14,894	-	14,894
Transportation	-	198,924	-	198,924
General Government	130,907	16,788	857	148,552
Debt Service:				
Redemption of Principal	-	18,331	86,257	104,588
Interest and Fiscal Charges	-	3,720	19,738	23,458
	<u>349,409</u>	<u>270,599</u>	<u>106,852</u>	<u>726,860</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Disbursements	<u>(\$60,437)</u>	<u>\$80,863</u>	<u>(69,336)</u>	<u>(\$48,910)</u>
Other Financing Receipts/(Disbursements):				
Sale of Fixed Assets	3,150	-	-	3,150
Advances-In	4,000	3,000	-	7,000
Advances-Out	(4,000)	(3,000)	-	(7,000)
Transfers-In	59,612	173,350	74,236	307,198
Transfers-Out	(12,650)	(257,312)	-	(269,962)
Other Financing Sources	355	-	-	355
Other Financing Uses	(96)	-	-	(96)
	<u>50,371</u>	<u>(83,962)</u>	<u>74,236</u>	<u>40,645</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(\$10,066)	(\$3,099)	4,900	(\$8,265)
Fund Cash Balances, January 1 (Restated-See Note 2)	59,109	58,479	115,064	232,652
Fund Cash Balances, December 31	<u><u>\$49,043</u></u>	<u><u>\$ 55,380</u></u>	<u><u>\$ 119,964</u></u>	<u><u>\$ 224,387</u></u>
Reserve for Encumbrances, December 31	<u>\$ 1,558</u>	<u>\$ 1,085</u>	<u>\$ -</u>	<u>\$ 2,643</u>

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 793,029	\$ -	\$ 793,029
Total Operating Revenues	<u>793,029</u>	<u>-</u>	<u>793,029</u>
Operating Cash Disbursements:			
Personal Services	152,209	-	152,209
Employee Fringe Benefits	76,390	-	76,390
Contractual Services	178,209	-	178,209
Supplies and Materials	257,934	-	257,934
Other	847	-	847
Total Operating Cash Disbursements	<u>665,589</u>	<u>-</u>	<u>665,589</u>
Operating Income (Loss)	<u>127,440</u>	<u>-</u>	<u>127,440</u>
Non-Operating Cash Receipts/(Disbursements):			
Other Debt Proceeds	276,167	-	276,167
Intergovernmental	49,912	-	49,912
Miscellaneous Receipts	787	-	787
Other Non-Operating Cash Receipts	-	2,656	2,656
Other Non-Operating Cash Disbursements	-	(2,656)	(2,656)
Capital Outlay	(475,532)	-	(475,532)
Redemption of Principal	(94,564)	-	(94,564)
Interest and Fiscal Charges	(8,440)	-	(8,440)
Total Non-Operating Cash Receipts/(Disbursements)	<u>(251,670)</u>	<u>-</u>	<u>(251,670)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers/Advances	(124,230)	-	(124,230)
Advances-In	7,000	-	7,000
Advances-Out	(7,000)	-	(7,000)
Transfers-In	7,225	-	7,225
Transfers-Out	(44,461)	-	(44,461)
Net Receipts Over/(Under) Cash Disbursements	(161,466)	-	(161,466)
Fund Cash Balances, January 1 (Restated - See Note 2)	<u>756,780</u>	<u>-</u>	<u>756,780</u>
Fund Cash Balances, December 31	<u>\$ 595,314</u>	<u>\$ -</u>	<u>\$ 595,314</u>
Reserve for Encumbrances, December 31	<u>\$ 700</u>	<u>\$ -</u>	<u>\$ 700</u>

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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 reports 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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village has 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.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Funds:

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

General Obligation Bond Retirement Fund – This fund receives monies to pay debt associated with the fire station.

4. 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 Operating Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

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

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

Sewer Construction Fund – This fund receives charges for services from residents to cover the cost of repaying debt related to the Village's sewer system.

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

Trinway Water Project Fund – This fund receives grant funding for a waterline extension project.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Fiduciary Funds (Agency Funds)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Fiduciary Fund:

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and 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 in the subsequent year. The Village did not properly encumber all commitments required by Ohio law.

A summary of 2010 and 2009 budgetary activity appears in Note 4.

F. Property, Plant and Equipment

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

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

2. PRIOR PERIOD FUND BALANCE ADJUSTMENTS

The Village posted adjustments in 2009 to account for voided checks and misposted interest in several funds during 2008.

	General	Special Revenue	Enterprise
Bal. as of December 31, 2008	\$ 62,527	\$ 57,994	\$ 756,386
Add: Voided Checks	32	485	394
Less: Misposted Interest	(3,450)	-	-
Adjusted Fund Balance	\$ 59,109	\$ 58,479	\$ 756,780

3. EQUITY IN POOLED DEPOSITS

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

	2010	2009
Demand deposits	\$ 625,496	\$ 634,697
Certificates of deposit	185,690	185,004
Total deposits	\$ 811,186	\$ 819,701

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; [or] collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 292,810	\$ 303,691	\$ 10,881
Special Revenue	631,350	587,730	(43,620)
Debt Service	98,185	98,191	6
Enterprise	1,867,801	2,509,708	641,907
Total	\$ 2,890,146	\$ 3,499,320	\$ 609,174

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 338,028	\$ 332,994	\$ 5,034
Special Revenue	658,606	611,870	46,736
Debt Service	95,669	95,675	(6)
Enterprise	1,822,263	2,471,074	(648,811)
Total	<u>\$ 2,914,566</u>	<u>\$ 3,511,613</u>	<u>\$ (597,047)</u>

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 330,634	\$ 352,089	\$ 21,455
Special Revenue	477,250	524,812	47,562
Debt Service	110,768	111,752	984
Enterprise	805,000	1,127,120	322,120
Total	<u>\$ 1,723,652</u>	<u>\$ 2,115,773</u>	<u>\$ 392,121</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 351,396	\$ 363,713	\$ (12,317)
Special Revenue	513,330	528,996	(15,666)
Debt Service	105,868	106,852	(984)
Enterprise	971,149	1,289,286	(318,137)
Total	<u>\$ 1,941,743</u>	<u>\$ 2,288,847</u>	<u>\$ (347,104)</u>

5. DEBT

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest
OWDA - 3561 Water Treatment Plant Improvements	\$ 17,090	3.30%
OWDA - 5281 Trinway Waterline Extension	305,633	0.00%
OWDA - 5608 New Well Field Design	20,981	4.27%
GO Bonds - Fire Station (USDA)	318,900	4.75%
OPWC - CR25C Water Storage Tank Replacement	81,380	2.00%
OPWC - CR15E Water Treatment Renovation	10,587	2.00%
OPWC - CTA5M Trunk Line Replacement	271,797	0.00%
Street Improvement Bond	15,720	5.36%
Dump Trucks	26,610	4.36%
	<u>\$ 1,068,698</u>	

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. DEBT (Continued)

The Ohio Water Development Authority (OWDA) Loan #2235 related to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency in 1990. This loan was repaid by the Village during 2010. The OWDA Loan #3561 relates to water treatment plant improvements in 2001. The total amount disbursed to the Village was \$187,766, and the loan will be repaid over ten years. The OWDA Loan #4719 related to the Trinway project planning with a balance of \$88,000 that it was servicing through the Enterprise Debt Service Fund. In 2009, OWDA paid off this loan and rolled the \$88,000 due into OWDA Loan #5281, which relates to the Trinway waterline extension project in 2010. The Village is servicing this loan through the Trinway Project Fund. This project is partially funded through Federal ARRA grant funding projects, with \$730,232 in principal forgiven as of December 31, 2010. This loan has not been fully dispersed as of December 31, 2010, and no amortization schedule is available for its repayment. The OWDA Loan #5608 relates to the new well field design project in 2010. This loan has not been fully dispersed as of December 31, 2010, and no amortization schedule is available for its repayment. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

During 1998, through an agreement with the United States Department of Agriculture, the Village issued two bonds for the construction of a fire station. A local financial institution purchased a \$300,000 bond issue and a \$621,800 bond issue is held by the United States Department of Agriculture. The \$300,000 bond was repaid by the Village in 2009. The remaining debt is backed by the full faith and credit of the Village, and revenues from fire, emergency medical services, and income taxes are used to retire the debt. The Village makes required principal and interest payments on an annual basis.

The OPWC Loan #CR25C relates to the financing of a water storage tank in 1999. The total amount disbursed to the Village was \$155,118, and the loan will be repaid with the proceeds of water revenues in semiannual installments of \$4,724, including interest, over 20 years. The OPWC Loan #CR15E relates to a water treatment plant renovation project in 2003. The total amount disbursed to the Village was \$15,250, and the loan will be repaid with the proceeds of water revenues in semiannual installments of \$464, including interest, over 20 years. The OPWC Loan #CTA5M relates to a trunk line sanitary sewer replacement project in 2009. The total amount disbursed to the Village was \$286,103, and the loan will be repaid with the proceeds of sewer revenues in semiannual installments of \$7,153, over 20 years.

The Village issued bonds during 2000 in the amount of \$350,000 for the purchase of a new fire truck and related equipment. The prior audit debt outstanding balance of \$16,969 was incorrect; the balance as of December 31, 2008 was \$89,099. This bond was repaid by the Village in 2010.

The Village issued a Street Improvement Bond in 2006 in the amount of \$35,767 from Huntington National Bank. The debt will be repaid over seven years with annual installments of \$6,298, including interest.

The Village entered into an agreement in 2000 with Municipal Services Group, Inc. for the purchase of dump trucks with an interest rate of 5.85%. The agreement was refinanced in 2004 with an interest rate of 4.36%. The prior audit debt outstanding balance of \$51,692 was incorrect; the balance as of December 31, 2008 was \$49,999.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	USDA Fire Station	Dump Truck	Street Improvement
2011	\$ 48,848	\$ 15,024	\$ 6,298
2012	48,847	13,302	6,298
2013	48,870	-	4,759
2014	48,813	-	-
2015	48,875	-	-
2016-2020	146,486	-	-
Total	<u>\$ 390,739</u>	<u>\$ 28,326</u>	<u>\$ 17,355</u>

Year ending December 31:	OPWC #CR25C	OPWC #CR15E	OPWC #CTA5M
2011	\$ 4,724	\$ 929	\$ 7,153
2012	9,449	929	14,305
2013	9,448	929	14,305
2014	9,449	929	14,305
2015	9,449	928	14,305
2016-2020	47,241	4,643	71,525
2021-2025	-	2,787	71,525
2026-2030	-	-	64,374
Total	<u>\$ 89,760</u>	<u>\$ 12,074</u>	<u>\$ 271,797</u>

An amortization schedule for OWDA Loans #5281 and #5608 have not been presented, as all funds have not yet been disbursed as of December 31, 2010.

6. LOCAL INCOME TAXES

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

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

7. 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 payment, the first half is due December 31. The second half payment is due the following June 20.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. PROPERTY TAX (Continued)

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.

8. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of police participant wages. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

9. RISK MANAGEMENT

Risk Pool Membership

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage's, modified for each Member's needs.

The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

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

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

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

9. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31st, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$ 11,176,186	\$ 10,471,114
Liabilities	(4,852,485)	(5,286,781)
Member Equity	<u>\$ 6,323,701</u>	<u>\$ 5,286,781</u>

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

10. INTERFUND TRANSFERS

During 2010, the following interfund transfers were made:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 10	\$ -
Street Construction, Maintenance & Repair	169,312	-
Cemetery	100	-
Income Tax	-	(222,917)
Fire Bond	4,618	-
Fire Station Bond	48,877	-
Fire and Squad	-	(4,900)
Ambulance Sinking	4,900	-
Total	<u>\$ 227,817</u>	<u>\$ (227,817)</u>

During 2009, the following interfund transfers were made:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 59,612	\$ (12,650)
Street Construction, Maintenance & Repair	173,350	-
Income Tax	-	(257,312)
Fire Bond	12,716	-
Fire Station Bond	61,520	-
Fire and Squad	-	(44,461)
Ambulance Sinking	7,225	-
Total	<u>\$ 314,423</u>	<u>\$ (314,423)</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. In both 2010 and 2009, the Village transferred funds from the Income Tax Fund to various funds per Ordinance 11-09. The Village ordinance is not specific relating to amounts and/or percentages of income tax to be transferred. In 2010 and 2009, the Village transferred funds from the Fire and Squad Fund to the Fire Station Bond, Fire Bond, and Ambulance Sinking Funds to utilize the revenues received from providing fire and EMS services for debt service payments.

Perry & Associates
Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

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

April 15, 2011

Village of Dresden
Muskingum County
904 Chestnut Street
Dresden, OH 43821

To the Village Council:

We have audited the financial statements of **Village of Dresden**, Muskingum County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated April 15, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be considered significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 15, 2011.

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

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-001

Material Weakness

Posting Receipts and Expenditures

Receipts and expenditures should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2010 and 2009, several receipts and expenditures were not posted into accurate classifications based on the source of the receipt or expenditure. The following posting errors were noted:

- Principal payments recorded as Interest and Fiscal Charges, Capital Outlay and Other Debt Proceeds instead of Redemption of Principal
- Loan proceeds from Ohio Water Development Authority (OWDA) not fully recorded as Other Debt Proceeds and Capital Outlay
- Principal loan forgiveness from federal ARRA monies not fully recorded as Intergovernmental and Redemption of Principal
- Intangible tax, homestead, rollback and personal property tax reimbursement receipts posted as Property and Local Taxes instead of Intergovernmental
- Interest inaccurately posted in prior audit period
- Mayor's Court activity not properly recorded in the Agency Fund

Not posting revenues and disbursements accurately resulted in the financial statements requiring several reclassifications and adjustments. The Village has made all adjustments to its accounting system, and the financial statements reflect all reclassifications and adjustments.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	ORC Section 135.21 – Improper allocation of interest	Yes	
2008-002	ORC Section 5705.14, 5705.15, and 5705.16 – Improper transfers	Yes	
2008-003	ORC Section 5705.36(A)(4) – Failure to obtain an amended certificate	No	Partially Corrected; Moved to the Management Letter
2008-004	ORC Section 5705.39 – Appropriations exceeded total estimated revenue	Yes	
2008-005	ORC Section 5705.41(B) – Actual disbursements exceeded appropriations	No	Partially Corrected; Moved to the Management Letter
2008-006	ORC Section 5705.41(D)(1) – Expenditures not properly encumbered	No	Partially Corrected; Moved to the Management Letter
2008-007	Posting Estimated Revenues and Appropriations	No	Partially Corrected; Moved to the Management Letter
2008-008	Fund Classification	Yes	
2008-009	Posting Receipts and Expenditures	No	Not Corrected; repeated as Finding 2010-001

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Dave Yost • Auditor of State

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
JULY 19, 2011