

Village of Dennison
Audited Financial Statements

December 31, 2011



Dave Yost • Auditor of State

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, 2011 through December 31, 2011. 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 Auditor's 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 Auditor's 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 Dennison is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

May 3, 2012

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**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

DECEMBER 31, 2011

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report.....	1-2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types for the Year Ended December 31, 2011	3
Notes to the Financial Statements.....	4-12
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	13-14
Schedule of Findings and Responses	15

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February 27, 2012

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), Tuscarawas County, Ohio, as of and for the year ended December 31, 2011. 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 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 year ended December 31, 2011 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, 2011, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

Mayor and Members of Council
Village of Dennison
Independent Auditor's Report
Page 2

As described in Note 1, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2012, 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 conjunction with this report in assessing the results of our audit.

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, 2011**

	General	Special Revenue	Capital Projects	(Memorandum Only) Total
CASH RECEIPTS:				
Property and Other Local Taxes	\$ 747,785	\$ 57,338	\$ 0	\$ 805,123
Intergovernmental Revenue	171,720	133,374	0	305,094
Charges For Services	36,400	2,467	0	38,867
Fines, Licenses and Permits	8,723	0	0	8,723
Interest	1,354	146	0	1,500
Miscellaneous	29,788	239	0	30,027
Total Cash Receipts	995,770	193,564	0	1,189,334
CASH DISBURSEMENTS:				
Current:				
Security of Persons	541,119	15,965	0	557,084
Public Health Services	0	43,317	0	43,317
Leisure Time Activities	21,764	4,930	0	26,694
Community Environment	12,708	0	0	12,708
Basic Utility Services	22,140	0	0	22,140
Transportation	0	147,134	0	147,134
General Government	228,001	0	0	228,001
Capital Outlay	37,770	30,850	10,000	78,620
Debt Service:				
Redemption of Principal	316,164	0	0	316,164
Interest and Other Finance Charges	17,875	0	0	17,875
Total Cash Disbursements	1,197,541	242,196	10,000	1,449,737
Total Cash Receipts Over (Under) Cash Disbursements	(201,771)	(48,632)	(10,000)	(260,403)
OTHER FINANCING RECEIPTS (DISBURSEMENTS):				
Sale of Capital Assets	236,331	0	0	236,331
Other Financing Sources	0	354	0	354
Transfers - In	0	42,000	10,000	52,000
Transfers - Out	(52,000)	0	0	(52,000)
Total Other Financing Receipts (Disbursements)	184,331	42,354	10,000	236,685
Total Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(17,440)	(6,278)	0	(23,718)
FUND CASH BALANCES, January 1, 2011	386,722	252,873	21	639,616
FUND CASH BALANCES, December 31, 2011				
Restricted	0	246,595	21	246,616
Assigned	3,837	0	0	3,837
Unassigned	365,445	0	0	365,445
FUND CASH BALANCES, December 31, 2011	\$ 369,282	\$ 246,595	\$ 21	\$ 615,898

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

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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 participates in several jointly governed organizations. Note 9 to the financial statements provides additional information for these entities. These organizations are:

- Twin City Water and Sewer District
- Uhrichville-Dennison-Union Mill Cemetery
- Community Improvement Corporation of Tuscarawas County
- Tuscarawas County Regional Planning Commission

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. 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 to use. The Village classifies its funds into the following types:

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 private-purpose 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 taxes and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Capital Projects Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds).

The Village had the following significant Capital Projects Fund:

Panhandle Passage Project Fund – This fund receives grant monies for the construction of the panhandle passage project.

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 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.

A summary of 2011 budgetary activity appears in Note 3.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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.

H. 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.

I. Changes in Accounting Principles

For the year ended December 31, 2011, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions.*"

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

NOTE 2: EQUITY IN POOLED DEPOSITS

The Village maintains a deposit pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was \$615,898.

	<u>2011</u>
Demand deposits	\$ 508,228
Certificates of deposit	<u>107,670</u>
Total deposits	<u><u>\$ 615,898</u></u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village and by a bank deposit guarantee bond.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2011 is as follows:

<u>Fund Type</u>	<u>2011 Budgeted vs. Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General	\$ 1,195,838	\$ 1,232,101	\$ 36,263
Special Revenue	228,346	235,918	7,572
Capital Projects	10,000	10,000	0
Total	<u>\$ 1,434,184</u>	<u>\$ 1,478,019</u>	<u>\$ 43,835</u>

<u>Fund Type</u>	<u>2011 Budgeted vs. Actual Budgetary Basis Expenditures</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	
General	\$ 1,117,184	\$ 1,253,378	\$ (136,194)
Special Revenue	232,247	242,700	(10,453)
Capital Projects	10,000	10,000	0
Total	<u>\$ 1,131,431</u>	<u>\$ 1,506,078</u>	<u>\$ (374,647)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$364,194, the Street Construction, Maintenance and Repair Fund by \$17,781 and the State Grants Fund by \$10,000.

NOTE 4: 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.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 5: 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.

Income tax proceeds are to be used to pay the cost of administering the tax, general municipal operations, police and fire protection, maintenance of equipment, new equipment, extension and enlargement of municipal services and facilities, and capital improvements as determined by Village Council. Income tax collections for 2011 were \$628,720 and proceeds were allocated to the Village's General Fund.

NOTE 6: DEBT

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Industrial Park Improvement Note	\$ 16,295	2.25%
Logan Street Project Notes	<u>175,000</u>	3.55 – 5.37%
Total	<u>\$ 191,295</u>	

The Village of Dennison renewed 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 totally drawn down in 2003. The interest rate fluctuates at prime minus 1%. In 2011, the Village sold a portion of the industrial park for \$236,331 and the proceeds were used to retire principal for the Industrial Park Improvement Note. The Industrial Park Improvement note matures in 2012.

In November 2008, the Village of Dennison obtained a loan for the Logan Street project in the amount of \$350,000 from the First National Bank of Dennison. The loan is set up as a series of 6 different notes maturing in each of the next six years. Interest rates range from 3.55% to 5.37%.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 6: DEBT (Continued)

Amortization of the above debt is scheduled as follows. The Village receives an updated amortization schedule each year from the bank since the interest rates are variable:

Year Ending 31-Dec	Logan Street Note Principal	Logan Street Note Interest	Industrial Park Imp. Note Principal	Industrial Park Imp. Note Interest
2012	\$ 58,333	\$ 9,193	\$ 16,295	\$ 367
2013	58,333	6,240	0	0
2014	<u>58,334</u>	<u>3,176</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 175,000</u>	<u>\$ 18,609</u>	<u>\$ 16,295</u>	<u>\$ 367</u>

NOTE 7: RETIREMENT SYSTEMS

The Village's certified Fire Fighters and full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time 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 2011, OP&F participants contributed 10% of their wages. For 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages. For 2011, 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, 2011.

NOTE 8: 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

Settled claims have not exceeded this commercial coverage in any of the past three years. Also, the Village did not significantly reduce their limits of liability during the year.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 9: 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 2011, \$4,010 was 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 2011, no monies were paid to the Cemetery by the Village.

C. Community Improvement Corporation of Tuscarawas County (Corporation)

The Corporation is operated by Tuscarawas County, New Philadelphia, Dover, Uhrichsville, Dennison, Strasburg, Sugarcreek and Gnadenhutten. It is controlled by 25 trustees consisting of the three County Commissioners, the mayor of each participating Village 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 2011, 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. During 2011, \$398 was paid to the Commission by the Village.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 10 - FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	General	Special Revenue Funds	Capital Projects	Total
Restricted for:				
Road Improvements	\$ 0	\$ 85,992	\$ 0	\$ 85,992
Police and Fire Pension	0	147,837	0	147,837
Capital Projects	0	0	21	21
Other Purposes	0	12,766	0	12,766
<i>Total Restricted</i>	0	246,595	21	246,616
Assigned to:				
Other Purposes	3,837	0	0	3,837
Unassigned	365,445	0	0	365,445
<i>Total Fund Balance</i>	\$ 369,282	\$ 246,595	\$ 21	\$ 382,048

February 27, 2012

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

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

We have audited the financial statements of the Village of Dennison (the "Village") as of and for the year ended December 31, 2011, and have issued our report thereon dated February 27, 2012, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Village of Dennison
Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
February 27, 2012
Page 2

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2011-001.

We noted certain matters that we have reported to management of the Village in a separate letter dated February 27, 2012.

The Village's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Village's response and, accordingly, express no opinion on it.

This report is intended solely 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.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011**

1. SUMMARY OF AUDITOR'S RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other internal control deficiencies conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes

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

FINDING NUMBER	2011 – 001
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Material Non-Compliance

Criteria:

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Condition Found:

At December 31, 2011, expenditures plus encumbrances exceeded appropriations in the following funds:

Fund	Appropriations	Expenditures	Variance
General Fund	\$ 1,117,184	\$ 1,253,378	\$ (136,194)
Street	146,104	163,885	(17,781)
State Grants	0	10,000	(10,000)

Effect:

Keeping expenditures within the appropriated amount is not only required by statute but is a key control in the budgetary and disbursement process to assure that expenditures are properly appropriated for and mitigate the risk of misspending and/or exceeding the available resources.

Recommendation:

To improve controls over budgeting and disbursements and to help reduce the possibility of the Village expending funds which are not appropriated, we recommend the Village monitor appropriations versus actual expenditures and obtain an amended appropriation measure, if necessary.

Management response:

The Clerk/Treasurer will review appropriation/expenditure ledgers throughout the year and have Village Council approve supplemental appropriation measures as needed. The Clerk/Treasurer will ensure that the appropriation measures approved by Village Council agree to the Village records.

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Dave Yost • Auditor of State

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
MAY 15, 2012