

**VILLAGE OF DRESDEN  
MUSKINGUM COUNTY  
Regular Audit  
For the Years Ended December 31, 2012 and 2011**

***Perry & Associates***  
Certified Public Accountants, A.C.





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Dresden, Muskingum County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2011 through December 31, 2012. 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 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

October 16, 2013

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VILLAGE OF DRESDEN  
MUSKINGUM COUNTY

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**INDEPENDENT AUDITOR'S REPORT**

July 25, 2013

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

To the Village Council:

***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the **Village of Dresden**, Muskingum County, Ohio (the Village) as of and for the years ended December 31, 2012 and 2011.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Dresden, Muskingum County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1B.

***Emphasis of Matter***

As discussed in Note 1F to the financial statements, during 2011, the Village of Dresden, Muskingum County, Ohio adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**VILLAGE OF DRESDEN  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 134,253	\$ 5,041	\$ 59,110	\$ 198,404
Municipal Income Tax	1,303	230,978	-	232,281
Intergovernmental	67,607	48,349	8,015	123,971
Special Assessments	-	18,686	-	18,686
Charges for Services	-	20,100	-	20,100
Fines, Licenses and Permits	2,604	-	-	2,604
Earnings on Investments	3,748	319	-	4,067
Miscellaneous	31,156	-	-	31,156
	<u>240,671</u>	<u>323,473</u>	<u>67,125</u>	<u>631,269</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	218,725	20,763	-	239,488
Public Health Services	-	26,487	-	26,487
Transportation	-	163,033	-	163,033
General Government	112,501	16,140	1,466	130,107
Capital Outlay	-	3,250	-	3,250
Debt Service:				
Principal Retirement	-	14,269	84,176	98,445
Interest and Fiscal Charges	-	1,357	34,193	35,550
	<u>331,226</u>	<u>245,299</u>	<u>119,835</u>	<u>696,360</u>
<b>Total Cash Disbursements</b>				
Excess of Receipts Over (Under) Disbursements	<u>(90,555)</u>	<u>78,174</u>	<u>(52,710)</u>	<u>(65,091)</u>
<b>Other Financing Receipts (Disbursements):</b>				
Transfers In	90,600	138,810	48,847	278,257
Transfers Out	(3,000)	(226,702)	-	(229,702)
Other Financing Sources	10,331	-	-	10,331
	<u>97,931</u>	<u>(87,892)</u>	<u>48,847</u>	<u>58,886</u>
<b>Total Other Financing Receipts (Disbursements)</b>				
Net Change in Fund Cash Balances	7,376	(9,718)	(3,863)	(6,205)
Fund Cash Balances, January 1	<u>2,479</u>	<u>58,673</u>	<u>5,155</u>	<u>66,307</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	48,993	1,292	50,285
Unassigned	9,626	-	-	9,626
	<u>9,855</u>	<u>48,955</u>	<u>1,292</u>	<u>60,102</u>
<i>Fund Cash Balances, December 31</i>	<u><b>\$ 9,855</b></u>	<u><b>\$ 48,955</b></u>	<u><b>\$ 1,292</b></u>	<u><b>\$ 60,102</b></u>

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

**VILLAGE OF DRESDEN  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 872,860	\$ -	\$ 872,860
Total Operating Cash Receipts	<u>872,860</u>	<u>-</u>	<u>872,860</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	181,375	-	181,375
Employee Fringe Benefits	87,152	-	87,152
Contractual Services	175,120	-	175,120
Supplies and Materials	310,892	-	310,892
Total Operating Cash Disbursements	<u>754,539</u>	<u>-</u>	<u>754,539</u>
Operating Income	<u>118,321</u>	<u>-</u>	<u>118,321</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	4,412	-	4,412
Other Debt Proceeds	33,858	-	33,858
Miscellaneous Receipts	23,740	13,502	37,242
Capital Outlay	(5,207)	-	(5,207)
Principal Retirement	(67,691)	-	(67,691)
Other Financing Uses	(4,791)	(12,106)	(16,897)
Total Non-Operating Receipts (Disbursements)	<u>(15,679)</u>	<u>1,396</u>	<u>(14,283)</u>
Income before Transfers	<u>102,642</u>	<u>1,396</u>	<u>104,038</u>
Transfers In	56,200	-	56,200
Transfers Out	(105,000)	-	(105,000)
	53,842	1,396	55,238
Fund Cash Balances, January 1	<u>801,453</u>	<u>-</u>	<u>801,453</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 855,295</u></u>	<u><u>\$ 1,396</u></u>	<u><u>\$ 856,691</u></u>

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

**VILLAGE OF DRESDEN  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 96,297	\$ 7,254	\$ 41,439	\$ 144,990
Municipal Income Tax	1,520	234,829	-	236,349
Intergovernmental	92,692	44,985	-	137,677
Special Assessments	-	20,172	-	20,172
Charges for Services	-	19,625	-	19,625
Fines, Licenses and Permits	1,142	-	-	1,142
Earnings on Investments	2,438	11	-	2,449
Miscellaneous	20,794	-	45,742	20,794
	<u>214,883</u>	<u>326,876</u>	<u>87,181</u>	<u>583,198</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	237,704	21,725	-	259,429
Public Health Services	-	20,069	-	20,069
Transportation	-	173,854	-	173,854
General Government	107,227	16,128	1,523	124,878
Capital Outlay	-	-	546,418	546,418
Debt Service:				
Principal Retirement	-	13,975	60,326	74,301
Interest and Fiscal Charges	-	2,046	23,283	25,329
	<u>344,931</u>	<u>247,797</u>	<u>631,550</u>	<u>1,224,278</u>
Excess of Receipts Over (Under) Disbursements	<u>(130,048)</u>	<u>79,079</u>	<u>(544,369)</u>	<u>(641,080)</u>
<b>Other Financing Receipts (Disbursements):</b>				
Sale of Bonds	-	-	546,418	546,418
Transfers In	105,875	206,860	48,848	361,583
Transfers Out	-	(259,577)	(53,158)	(312,735)
	42,218	110,056	-	152,274
Advances Out	(42,218)	(110,056)	-	(152,274)
Other Financing Sources	5,291	-	-	5,291
	<u>111,166</u>	<u>(52,717)</u>	<u>542,108</u>	<u>600,557</u>
Net Change in Fund Cash Balances	(18,882)	26,362	(2,261)	5,219
Fund Cash Balances, January 1 (Restated - See Note 10)	<u>21,361</u>	<u>32,311</u>	<u>7,416</u>	<u>61,088</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	58,673	5,155	63,828
Unassigned	2,479	-	-	2,479
	<u>2,479</u>	<u>58,673</u>	<u>5,155</u>	<u>66,307</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 2,479</u>	<u>\$ 58,673</u>	<u>\$ 5,155</u>	<u>\$ 66,307</u>

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

**VILLAGE OF DRESDEN  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 821,277	\$ -	\$ 821,277
Total Operating Cash Receipts	<u>821,277</u>	<u>-</u>	<u>821,277</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	170,331	-	170,331
Employee Fringe Benefits	60,935	-	60,935
Contractual Services	304,356	-	304,356
Supplies and Materials	233,316	-	233,316
Total Operating Cash Disbursements	<u>768,938</u>	<u>-</u>	<u>768,938</u>
Operating Income	<u>52,339</u>	<u>-</u>	<u>52,339</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	600	-	600
Other Debt Proceeds	157,003	-	157,003
Miscellaneous Receipts	51,512	6,515	58,027
Capital Outlay	(1,673)	-	(1,673)
Principal Retirement	(158,770)	-	(158,770)
Other Financing Uses	(889)	(6,515)	(7,404)
Total Non-Operating Receipts (Disbursements)	<u>47,783</u>	<u>-</u>	<u>47,783</u>
Income before Transfers and Advances	<u>100,122</u>	<u>-</u>	<u>100,122</u>
Transfers In	5,225	-	5,225
Transfers Out	(54,073)	-	(54,073)
Advances In	30,707	-	30,707
	<u>(30,707)</u>	<u>-</u>	<u>(30,707)</u>
Net Change in Fund Cash Balances	51,274	-	51,274
Fund Cash Balances, January 1 (Restated - See Note 10)	<u>750,179</u>	<u>-</u>	<u>750,179</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 801,453</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 801,453</u></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, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Dresden, Muskingum County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, swimming 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds from specific sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

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.

**VILLAGE OF DRESDEN  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**3. Debt Service Funds**

These funds account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest. 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.

Fire Station Bond Fund – This fund receives transfers from other funds 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 to recover the significant costs of providing certain goods or services 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.

**5. Fiduciary Funds (Agency Funds)**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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's agency fund accounts for Mayor's Court activity.

**E. Budgetary Process**

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

**VILLAGE OF DRESDEN  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**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 encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

**F. Fund Balance**

In 2011, the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which had no effect on fund balances. 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.

**VILLAGE OF DRESDEN  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Fund Balance (Continued)**

**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.

**G. 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.

**H. Accumulated Leave**

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

**2. EQUITY IN POOLED DEPOSITS**

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

	<u>2012</u>	<u>2011</u>
Demand deposits	\$ 911,487	\$ 862,454
Certificates of deposit	5,306	5,306
Total deposits	<u>\$ 916,793</u>	<u>\$ 867,760</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.



**VILLAGE OF DRESDEN  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 342,143	\$ 341,602	\$ (541)
Special Revenue	460,660	462,283	1,623
Debt Service	51,163	115,972	64,809
Enterprise	907,165	991,070	83,905
Total	\$ 1,761,131	\$ 1,910,927	\$ 149,796

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 353,221	\$ 334,226	\$ 18,995
Special Revenue	496,722	472,001	24,721
Debt Service	121,369	119,835	1,534
Enterprise	1,093,640	937,228	156,412
Total	\$ 2,064,952	\$ 1,863,290	\$ 201,662

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 313,506	\$ 326,049	\$ 12,543
Special Revenue	470,245	533,736	63,491
Debt Service	116,054	682,447	566,393
Enterprise	989,595	1,035,617	46,022
Total	\$ 1,889,400	\$ 2,577,849	\$ 688,449

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 333,240	\$ 344,931	\$ (11,691)
Special Revenue	482,615	507,374	(24,759)
Debt Service	48,848	684,708	(635,860)
Enterprise	898,151	984,343	(86,192)
Total	\$ 1,762,854	\$ 2,521,356	\$ (758,502)

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the General, Special Revenue, Debt Service and Enterprise Funds for the year ended December 31, 2011. Also contrary to Ohio law, expenditures were not properly encumbered for the years ended December 31, 2012 and 2011. Also contrary to Ohio law, appropriations exceeded estimated resources in 2012 in the General and Debt Service Funds for the year ended December 31, 2012.

**VILLAGE OF DRESDEN  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**4. DEBT**

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest
OWDA - 5281 Trinway Waterline Extension	\$ 284,945	0.00%
OWDA - 5608 New Well Field Design	36,872	4.27%
OWDA - 5808 Wastewater Treatment Plant Design	97,787	0.00%
OWDA - 5974 Groundwater Exploration Planning	15,873	3.99%
USDA Fire Station Bonds	249,900	4.75%
Fire Truck Bonds	470,916	0.00%
OPWC - CTA5M Trunk Line Replacement	243,187	0.00%
Street Improvement Bond	4,706	5.36%
Dump Trucks	9,380	4.36%
	\$ 1,413,566	

The OWDA Loan #3561 relates to water treatment plant improvements in 2001. This loan was repaid by the Village in 2011, and a \$6,796 reimbursement was issued by OWDA to the Village due to a reduction in the amount financed at the conclusion of the project in 2012.

The OWDA Loan #5281 relates to the Trinway waterline extension project in 2010. The total amount disbursed was \$310,849 and the loan will be repaid in semiannual installments of \$5,181, over 27 years. The OWDA Loan #5608 relates to the new well field design project in 2010. This loan has not been fully disbursed as of December 31, 2012, and no amortization schedule is available for its repayment. The OWDA Loan #5808 relates to the wastewater treatment plant design project in 2011. This loan has not been fully disbursed as of December 31, 2012, and no amortization schedule is available for its repayment. The OWDA Loan #5974 relates to the groundwater exploration planning project in 2011. This loan has not been fully disbursed as of December 31, 2012, 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 bonds for the construction of a fire station. The \$621,800 bond issue is held by the United States Department of Agriculture. During 2011, the Village issued bonds for the purchase of a new fire truck and related equipment. The \$546,419 bond issue is held by Century National Bank. The debt is backed by the full faith and credit of the Village, and revenues from fire, emergency medical services, and income taxes are used to retire the debt. The Village makes required principal and interest payments on an annual basis.

The OPWC Loan #CR25C related to the financing of a water storage tank in 1999. The loan was repaid by the Village during 2011. The OPWC Loan #CR15E related to a water treatment plant renovation project in 2003. The loan was repaid by the Village during 2011. 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 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%.

**VILLAGE OF DRESDEN  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**4. DEBT (Continued)**

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

Year ending December 31:	USDA Fire Station	Dump Truck	Street Improvement
2013	\$ 48,870	\$ 9,789	\$ 4,958
2014	48,813	-	-
2015	48,875	-	-
2016	48,846	-	-
2017	48,827	-	-
2018	48,813	-	-
Total	<u>\$ 293,044</u>	<u>\$ 9,789</u>	<u>\$ 4,958</u>

Year ending December 31:	Fire Truck Bonds	OWDA #5281	OPWC #CTA5M
2013	\$ 69,522	\$ 10,361	\$ 14,305
2014	69,522	10,362	14,305
2015	69,522	10,361	14,305
2016	69,522	10,362	14,305
2017	69,522	10,361	14,305
2018-2022	208,567	51,808	71,526
2023-2027	-	51,808	71,526
2028-2032	-	51,808	28,610
2033-2037	-	51,808	-
2038-2040	-	25,906	-
Total	<u>\$ 556,177</u>	<u>\$ 284,945</u>	<u>\$ 243,187</u>

An amortization schedule for OWDA Loans #5608, #5808 and #5974 have not been presented, as all funds have not yet been disbursed as of December 31, 2012.

**5. 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 as well as certain income of residents earned outside of the Village.

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

**6. 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. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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, 2012 AND 2011  
(Continued)**

**6. 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.

**7. 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 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of police participant wages. For 2012 and 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, 2012.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**9. INTERFUND TRANSFERS**

During 2012, the following interfund transfers were made:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 90,600	\$ (3,000)
Street Construction, Maintenance & Repair	125,850	-
State Highway	7,810	-
Cemetery	5,150	-
Income Tax	-	(226,457)
Fire Station Bond	48,847	-
Water Operating	40,000	-
Sewer Operating	10,000	-
Fire and Squad	-	(55,000)
Ambulance Sinking	6,200	-
Water Sinking Capital Improvement	-	(50,000)
Total	<u>\$ 334,457</u>	<u>\$ (334,457)</u>

**VILLAGE OF DRESDEN  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**9. INTERFUND TRANSFERS (Continued)**

During 2011, the following interfund transfers were made:

	Transfers In	Transfers Out
General Fund	\$ 105,875	\$ -
Street Construction, Maintenance & Repair	148,842	-
Cemetery	4,860	-
Income Tax	53,158	(259,577)
Fire Bond	-	(7,416)
Fire Station Bond	48,848	(45,742)
Fire and Squad	-	(54,073)
Ambulance Sinking	5,225	-
Total	\$ 366,808	\$ (366,808)

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 2012 and 2011, the Village transferred funds from the Income Tax Fund to various funds per ordinances. In 2012 and 2011, the Village transferred funds from the Fire and Squad Fund to the Fire Station Bond and Ambulance Sinking Funds to utilize the revenues received from providing fire and EMS services for debt service payments. In 2012, the Village transferred funds from the Water Sinking Capital Improvement Fund to the Water Operating and Sewer Operating Funds for debt service payments. All transfers were determined to be in compliance with Ohio Revised Code.

**10. PRIOR PERIOD FUND BALANCE ADJUSTMENTS**

The Village posted adjustments in 2011 to account for voided checks and change the Water Sinking and Wastewater Sinking Funds classification from Debt Service to Enterprise Funds.

	Total Debt Service	Total Enterprise
Balance as of December 31, 2010	\$ 122,480	\$ 635,034
Voided Checks	-	81
Change in Fund Classification	(115,064)	115,064
Adjusted January 1, 2011 Fund Balance	\$ 7,416	\$ 750,179

***Perry & Associates***  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

July 25, 2013

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United State and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Village of Dresden**, Muskingum County, Ohio, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated July 25, 2013, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits and the Village adopted provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

**Internal Control Over Financial Reporting**

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. We consider finding 2012-01 described in the accompanying schedule of audit findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-02 and 2012-03 described in the accompanying schedule of audit findings to be significant deficiencies.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township'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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as Findings 2012-02 and 2012-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 25, 2013.

### **Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

VILLAGE OF DRESDEN  
MUSKINGUM COUNTY

SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-01

**Material Weakness**

**Posting Receipts and Disbursements**

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

Receipts and disbursements were not always posted correctly. For example:

- Mayor's Court activity not properly recorded
- Homestead and rollback receipts recorded as Property and Other Taxes instead of Intergovernmental in the General Fund in 2011
- Gasoline excise tax receipts and related disbursements not split between Street Construction, Maintenance and Repair and State Highway Funds in 2012
- Permissive motor vehicle license tax receipts and related disbursements posted to Street Construction, Maintenance and Repair and State Highway Funds instead of the Permissive Motor Vehicle License Tax Fund in 2012
- Capitalized interest accumulated on OWDA Loans not properly recorded
- OWDA Loan principal payment posted to Supplies and Materials instead of Principal Retirement in the Water Operating Fund in 2012

This resulted in several adjusting and reclassification entries being made to the Village's financial statements. The accompanying financial statements reflect all reclassifications and adjustments. The Village is in agreement with the adjustments and has posted them to its accounting system.

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 receipts and disbursements are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

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



VILLAGE OF DRESDEN  
MUSKINGUM COUNTY

SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-02

**Noncompliance / Significant Deficiency**

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

Actual disbursements exceeded appropriations in 2011 in the General, Special Revenue, Debt Service and Enterprise Funds.

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

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

FINDING NUMBER 2012-03

**Noncompliance / Significant Deficiency**

**Ohio Revised Code Section 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a Fiscal Officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
2. Blanket Certificate – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

VILLAGE OF DRESDEN  
MUSKINGUM COUNTY

SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-03 (Continued)

Ohio Revised Code Section 5705.41(D) (Continued)

3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The certification of availability of unencumbered appropriations for expenditure was not obtained for 52% of expenditures tested during 2012 and 2011.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

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

VILLAGE OF DRESDEN  
MUSKINGUM COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Posting Receipts and Expenditures	No	Partially Corrected; Repeated as Finding 2012-01

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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  
NOVEMBER 7, 2013**