



**Auditor of State
Betty Montgomery**

VILLAGE OF DRESDEN
MUSKINGUM COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Dresden, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Dresden, Muskingum County, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Dresden
Muskingum County
Independent Accountants' Report
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This report is intended solely for the information and use of the audit committee, management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 22, 2004

**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, 2002**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$41,813	\$	\$52,613	\$	\$94,426
Municipal Income Tax	2,472	\$319,275			321,747
Special Assessments		340			340
Intergovernmental Receipts	85,773	42,467			128,240
Charges for Services		22,221			22,221
Fines, Licenses, and Permits	21,591				21,591
Earnings on Investments	23,201				23,201
Miscellaneous	434,197	12,854			447,051
Total Cash Receipts	609,047	397,157	52,613		1,058,817
Cash Disbursements:					
Current:					
Security of Persons and Property	210,147	16,862			227,009
Public Health Services		43,656			43,656
Leisure Time Activities	3,000				3,000
Community Environment	2,250				2,250
Transportation		147,167			147,167
General Government	68,940	20,714	743		90,397
Debt Service:					
Principal Payments	9,086		73,385	3,024	85,495
Interest Payments	5,938		36,531	772	43,241
Capital Outlay	456,524				456,524
Total Cash Disbursements	755,885	228,399	110,659	3,796	1,098,739
Total Cash Receipts Over/(Under) Cash Disbursements	(146,838)	168,758	(58,046)	(3,796)	(39,922)
Other Financing Receipts/(Disbursements):					
Transfers-In	158,941	119,033	109,861		387,835
Transfers-Out	(27,936)	(299,090)			(327,026)
Total Other Financing Receipts/(Disbursements)	131,005	(180,057)	109,861		60,809
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(15,833)	(11,299)	51,815	(3,796)	20,887
Fund Cash Balances, January 1	20,180	17,389	20,999	12,339	70,907
Fund Cash Balances, December 31	\$4,347	\$6,090	\$72,814	\$8,543	\$91,794

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 SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$543,913	\$	\$	\$543,913
Miscellaneous	2,843			2,843
Total Operating Cash Receipts	546,756			546,756
Operating Cash Disbursements:				
Personal Services	75,439	\$550		75,989
Fringe Benefits	44,289	107		44,396
Contractual Services	422,339			422,339
Supplies and Materials	111,764			111,764
Other Operating Disbursements	14,400			14,400
Capital Outlay	114,684			114,684
Total Operating Cash Disbursements	782,915	657		783,572
Operating Income/(Loss)	(236,159)	(657)		(236,816)
Non-Operating Cash Receipts:				
Intergovernmental Receipts	222,041			222,041
Proceeds from Notes and Bonds	30,000			30,000
Proceeds of Loan	159,425			159,425
Sale of Fixed Assets	1,714			1,714
Other Non-Operating Receipts			\$9,485	9,485
Total Non-Operating Cash Receipts	413,180		9,485	422,665
Non-Operating Cash Disbursements:				
Debt Service:				
Redemption of Principal	59,918			59,918
Interest and Other Fiscal Charges	28,778			28,778
Other Non-Operating Disbursements			9,485	9,485
Total Non-Operating Cash Disbursements	88,696		9,485	98,181
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	88,325	(657)		87,668
Transfers-In		200		200
Transfers-Out	(61,009)			(61,009)
Net Receipts Over/(Under) Disbursements	27,316	(457)		26,859
Fund Cash Balances, January 1	844,920	3,499	0	848,419
Fund Cash Balances, December 31	\$872,236	\$3,042	\$0	\$875,278

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, 2001**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$37,048	\$	\$58,677	\$	\$95,725
Municipal Income Tax		\$300,366			300,366
Special Assessments		111			111
Intergovernmental Receipts	84,341	39,418			123,759
Charges for Services		26,933			26,933
Fines, Licenses, and Permits	23,631				23,631
Earnings on Investments	34,709				34,709
Miscellaneous	20,362	18,806			39,168
Total Cash Receipts	<u>200,091</u>	<u>385,634</u>	<u>58,677</u>		<u>644,402</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	242,112	16,671			258,783
Public Health Services		44,306			44,306
Leisure Time Activities	2,000				2,000
Transportation		225,337			225,337
General Government	88,564	19,140	839		108,543
Debt Service:					
Principal Payments	8,509		295,959	\$2,906	307,374
Interest Payments	6,740		53,860	890	61,490
Capital Outlay	4,141		346,749		350,890
Total Cash Disbursements	<u>352,066</u>	<u>305,454</u>	<u>697,407</u>	<u>3,796</u>	<u>1,358,723</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(151,975)</u>	<u>80,180</u>	<u>(638,730)</u>	<u>(3,796)</u>	<u>(714,321)</u>
Other Financing Receipts/(Disbursements):					
Sale of Bonds			350,000		350,000
Sale of Notes			168,131		168,131
Sale of Fixed Assets		10,808			10,808
Transfers-In	323,959	158,487	109,868		592,314
Transfers-Out	(163,746)	(367,559)			(531,305)
Total Other Financing Receipts/(Disbursements)	<u>160,213</u>	<u>(198,264)</u>	<u>627,999</u>		<u>589,948</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	8,238	(118,084)	(10,731)	(3,796)	(124,373)
Fund Cash Balances, January 1	11,942	135,473	31,730	16,135	195,280
Fund Cash Balances, December 31	<u><u>\$20,180</u></u>	<u><u>\$17,389</u></u>	<u><u>\$20,999</u></u>	<u><u>\$12,339</u></u>	<u><u>\$70,907</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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$516,107	\$	\$	\$516,107
Miscellaneous	9,598			9,598
Total Operating Cash Receipts	<u>525,705</u>			<u>525,705</u>
Operating Cash Disbursements:				
Personal Services	145,118	\$600		145,718
Fringe Benefits	42,009	105		42,114
Contractual Services	30,270			30,270
Supplies and Materials	67,322			67,322
Other Operating Disbursements	14,400			14,400
Capital Outlay	2,961			2,961
Total Operating Cash Disbursements	<u>302,080</u>	<u>705</u>		<u>302,785</u>
Operating Income/(Loss)	<u>223,625</u>	<u>(705)</u>		<u>222,920</u>
Non-Operating Cash Receipts:				
Intergovernmental Receipts				0
Proceeds of Loan	2,555			2,555
Sale of Fixed Asset	3,151			3,151
Other Non-Operating Receipts			\$8,243	8,243
Total Non-Operating Cash Receipts	<u>5,706</u>		<u>8,243</u>	<u>13,949</u>
Non-Operating Cash Disbursements:				
Debt Service:				
Redemption of Principal	49,603			49,603
Interest and Other Fiscal Charges	27,995			27,995
Other Non-Operating Disbursements			8,243	8,243
Total Non-Operating Cash Disbursements	<u>77,598</u>		<u>8,243</u>	<u>85,841</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	151,733	(705)		151,028
Transfers-Out	<u>(61,009)</u>			<u>(61,009)</u>
Net Receipts Over/(Under) Disbursements	90,724	(705)		90,019
Fund Cash Balances, January 1	<u>754,196</u>	<u>4,204</u>	<u>0</u>	<u>758,400</u>
Fund Cash Balances, December 31	<u>\$844,920</u>	<u>\$3,499</u>	<u>\$0</u>	<u>\$848,419</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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

The Village's investments are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

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 Village Council.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Funds:

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

Fire Station Bonds Fund - This fund receives transfers from municipal income tax and fire and squad receipts used to retire debt associated with construction of the Fire Station.

4. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Sixth Street Phase II Fund - This fund accounts for Issue II and other grant monies used for improvements to Sixth Street.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Waste Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Construction Fund – This fund receives a portion of the charges for services from residents to be used for future construction.

Water Sinking Capital Improvement Fund - This fund receives a portion of the water user charges to be used for capital improvements.

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

6. Fiduciary Funds (Trust and Agency Funds)

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

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

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

E. Budgetary Process

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

1. Appropriations

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unpaid Vacation and Sick Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$778,760	\$732,824
Certificates of deposit	185,312	183,502
Total deposits	964,072	916,326
Savings bond	3,000	3,000
Total deposits and investments	\$967,072	\$919,326

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$666,752	\$767,988	\$101,236
Special Revenue	505,730	516,190	10,460
Debt Service	58,364	162,474	104,110
Capital Projects	0	0	0
Enterprise	414,200	959,936	545,736
Total	\$1,645,046	\$2,406,588	\$761,542

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$265,965	\$783,821	(\$517,856)
Special Revenue	538,646	527,489	11,157
Debt Service	178,100	110,659	67,441
Capital Projects	0	3,796	(3,796)
Enterprise	409,600	932,620	(523,020)
Total	<u>\$1,392,311</u>	<u>\$2,358,385</u>	<u>(\$966,074)</u>

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$636,015	\$524,050	(\$111,965)
Special Revenue	650,009	554,929	(95,080)
Debt Service	662,702	686,676	23,974
Capital Projects	0	0	0
Enterprise	648,000	531,411	(116,589)
Total	<u>\$2,596,726</u>	<u>\$2,297,066</u>	<u>(\$299,660)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$316,465	\$515,812	(\$199,347)
Special Revenue	772,550	673,013	99,537
Debt Service	697,031	697,407	(376)
Capital Projects	0	3,796	(3,796)
Enterprise	502,000	440,687	61,313
Total	<u>\$2,288,046</u>	<u>\$2,330,715</u>	<u>(\$42,669)</u>

Compliance and Accountability:

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General, State Highway Improvement, Cemetery, Street Lighting, Issue II Sixth Street Project, Fire and Squad, Water Sinking Capital Improvement, Fire Sinking and Water Operating Funds by \$517,856, \$882, \$25,410, \$6,896, \$3,796, \$73,405, \$394,645, \$25,577 and \$47,123, respectively, for the year ended December 31, 2002. Budgetary expenditures exceeded appropriation authority in the General, Cemetery, Police Vehicle Bond, Issue II Sixth Street Project and Water Sinking Capital Improvement Funds by \$119,347, \$6,306, \$12,717, \$3,796 and \$2,503, respectively, for the year ended December 31, 2001. The above budgetary presentations have been modified to reflect only those appropriations which have been approved by Council as noted in Council's minutes.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

During 2001, the Village appropriated funds in excess of total estimated resources in the Street Construction, Maintenance and Repair Fund and the Fire Station Bond Fund by \$23,193 and \$112,000, respectively. During 2002, the Village appropriated funds in excess of total estimated resources in the Street Construction, Maintenance and Repair Fund, Fire Station Bond Fund and Sewer Construction Fund by \$55,018, \$110,000, and \$30,484, respectively.

At December 31, 2001, the Village's Street Construction, Maintenance and Repair Fund had a negative fund cash balance of \$7,393 after making adjustments for improper cash advances. At December 31, 2002, the Village's Street Construction, Maintenance and Repair Fund had a negative fund cash balance of \$9,996 after making adjustments for improper advances.

4. PROPERTY TAX

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

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

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

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

5. INCOME TAX

The Village levied a voted tax of 1 percent on the income of residents 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 the tax directly 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 in the accompanying financial statements based upon Village Ordinance No. 86-4.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$421,899	5.00%
General Obligation Bonds- Fire Station	111,853	6.00%
General Obligation Bonds- Fire Station	538,900	4.75%
Ohio Public Works Commission Loan- Sixth Street	17,030	4.00%
Ohio Public Works Commission Loan- Water Storage Tank	138,932	2.00%
Police Vehicle Bonds	30,147	6.25%
Dump Truck Leases	93,852	5.85%
Fire Equipment Bond	335,496	5.50%
Total	\$1,688,109	

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The total amount disbursed was \$885,370 in loans to the Village for this project. The loans will be repaid with the proceeds of sewer revenues in semiannual installments of \$34,075, including interest, over 20 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

The Ohio Public Works Commission Sixth Street Loan was issued during 1999 in the amount of \$31,033. The loan will be repaid in semiannual installments of \$1,898, including interest, over 5 years.

The Ohio Public Works Commission (OPWC) Water Storage Tank Loan was issued during 1999. The loan will be repaid with the proceeds of water revenues in semiannual installments of \$4,724, including interest, over 20 years.

The Village issued bonds during 2000 in the amount of \$43,905 for the purchase of police vehicles and related equipment. The debt is backed by the full faith and credit of the Village and revenues used to retire this debt are derived from property taxes. Payments are to be made annually over three years, although the payment due during 2002 was not made until January 3, 2003. The payment due during 2002 is included with the 2003 payment due on the amortization schedule.

The Village issued bonds during November of 2000 in the amount of \$350,000 for the purchase of a new fire truck and related equipment. The debt is backed by the full faith and credit of the Village and revenues used to retire this debt are derived from a voted property tax levy. The interest is due semi-annually and principal is due annually. However, interest and principal due in 2002 was not paid until January 21, 2003. The payments due during 2002 are included with the 2003 payments due on the amortization schedule.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. DEBT (Continued)

The Village entered into a lease agreement on November 6, 2000 with Municipal Services Group, Inc. for the lease of dump trucks. The lease will be repaid over 10 years at an annual payment of \$15,024.

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

Year ending December 31:	OWDA Loan- Sewer Plant Construction	General Obligation Bonds- Fire Station	OPWC- Water Storage Tank Loan & Sixth Street Loans	Police Vehicle Bonds	Dump Truck Leases	Fire Equipment Bond
2003	\$68,149	\$109,907	\$13,244	\$32,031	\$15,024	\$96,515
2004	68,149	109,800	13,244	0	15,024	48,258
2005	68,149	48,837	13,244	0	15,024	48,258
2006	68,149	48,826	12,506	0	15,024	48,258
2007	68,149	48,857	12,506	0	15,024	48,258
Subsequent	204,447	537,280	119,634	0	45,072	144,774
Total	<u>\$545,192</u>	<u>\$903,507</u>	<u>\$184,378</u>	<u>\$32,031</u>	<u>\$120,192</u>	<u>\$434,321</u>

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of participants' gross salaries. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

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.

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

9. ALLOCATION OF COSTS AND DEBT ACTIVITY

During 2001, the General Fund and Street Construction, Maintenance and Repair Fund experienced funding shortages for which the Village made cash advances from other funds. However, there was no statutory authority to allow the cash advances to be made. During 2003, management was made aware that the cash advances were improper and, at that time, studied ways in which to correct the improper advances and funding shortages. Management re-allocated a portion of the administrative costs to the Water and Sewer Funds which had previously been paid entirely by the General Fund. Village management also re-allocated that portion of wages and benefits paid for work performed on Village utilities which was erroneously charged entirely to the Street Construction, Maintenance and Repair Fund. These re-allocations are reflected in the accompanying financial statements. Management has also reviewed financial activity subsequent to December 31, 2002 through the date of this report and intends to re-allocate administrative costs incurred during that time period, as well as wages and benefits, in order to more accurately reflect within each fund the costs associated with the benefits derived.

On August 1, 2003, Village Council authorized the financing of \$94,257 for the purchase of a new emergency medical squad. On January 19, 2004, Village Council authorized the issuance of \$61,000 of bonds to refinance the fire station debt and the issuance of \$86,152 of bonds to refinance the dump trucks, at interest rates lower than those of the previous debt.

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**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Dresden, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 22, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-001 through 2002-009. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 22, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2002-001, 2002-003, 2002-006, 2002-008, 2002-010 and 2002-011.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 22, 2004

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.41(D) states that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the fiscal officer (Village Clerk-Treasurer).

Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides for two "exceptions" to the above requirements:

- A. Then and Now Certificate - This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time the certification is being completed, 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 (Village Council) may authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the Village.

- B. If the amount involved is less than \$1,000 (which was increased to \$3,000 on April 7, 2003), the fiscal officer may authorize it to be paid without the affirmation of the taxing authority, upon completion of the then and now certificate, provided that the expenditure is otherwise lawful.

Of the expenditures tested in 2001 and 2002, 60% and 67%, respectively, were made without the fiscal officer's certification and the aforementioned exceptions were not followed.

We recommend Village personnel refrain from incurring obligations until the Clerk-Treasurer's certification is obtained. In those infrequent instances where then and now certificates should be used, the Clerk-Treasurer should make certain the appropriate language is made a part of her certification.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2002-002

Noncompliance Citation

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

During 2002, the following funds had expenditures in excess of appropriations:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$265,965	\$783,822	(\$517,857)
State Highway Improvement Fund	1,500	2,382	(882)
Cemetery Fund	18,246	43,656	(25,410)
Street Lighting Fund	10,000	16,896	(6,896)
Issue II Sixth Street Project Fund	0	3,796	(3,796)
Fire and Squad Fund	73,500	146,905	(73,405)
Water Sinking Capital Improvement Fund	9,500	404,145	(394,645)
Fire Sinking Fund	0	25,577	(25,577)
Water Fund	116,100	163,223	(47,123)

During 2001, the following funds had expenditures in excess of appropriations:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$316,465	\$515,812	(\$199,347)
Cemetery Fund	38,000	44,306	(6,306)
Issue II Sixth Street Project Fund	0	3,796	(3,796)
Water Sinking Capital Improvement Fund	9,500	12,003	(2,503)

We recommend that expenditures only be made once appropriations have been adopted. The Clerk-Treasurer should deny any payment requests where appropriations are not available.

FINDING NUMBER 2002-003

Noncompliance Citation and Material Weakness

Ohio Revised Code § 5705.40 states, in part, that a subdivision may amend or supplement its appropriation measure provided the entity complies with the same provisions of the law as are used in making the original appropriation.

The Village Clerk-Treasurer posted multiple appropriation amendments throughout the audit period, certain of which were neither approved by Village Council nor certified to the County Auditor. The following compares appropriations approved by Council, as noted in Council's minutes, to appropriations posted to the accounting system:

**LLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2002-003 (Continued)

Noncompliance Citation and Material Weakness - Ohio Rev. Code § 5705.40 (Continued)

For the year ended December 31, 2001:

Fund	Fund Description	Appropriations posted to the Books	Appropriations filed with the County Auditor	Variance
1000-110-211	Salaries/Wages	\$134,896	\$137,500	\$2,604
1000-110-212	Employee Benefits	\$72,687	\$54,500	(\$18,187)
1000-310-240	Supplies & Materials	\$2,000	\$5,000	\$3,000
1000-715-240	Supplies & Materials	\$2,550	\$1,500	(\$1,050)
1000-725-212	Employee Benefits	\$4,053	\$2,500	(\$1,553)
1000-725-230	Contractual Services	\$18,400	\$17,000	(\$1,400)
1000-725-240	Supplies & Materials	\$9,282	\$5,000	(\$4,282)
1000-725-250	Capital Outlay	\$0	\$3,000	\$3,000
1000-730-240	Supplies & Materials	\$17,953	\$5,000	(\$12,953)
1000-740-250	County Auditor Fees	\$1,600	\$0	(\$1,600)
1000-750-230	Contractual Services	\$15,464	\$0	(\$15,464)
1000-800-250	Capital Outlay	\$19,549	\$15,025	(\$4,524)
1000-850-270	Debt Service	\$14,617	\$0	(\$14,617)
1000-910-271	Transfers Out	\$195,228	\$0	(195,228)
2011-610-211	Salaries/Wages	\$96,135	\$100,000	\$3,865
2011-610-212	Employee Benefits	\$56,176	\$42,000	(\$14,176)
2011-610-240	Supplies & Materials	\$108,005	\$150,000	\$41,995
2021-620-240	Supplies & Materials	\$0	\$1,500	\$1,500
2031-240-211	Salaries/Wages	\$24,337	\$18,500	(\$5,837)
2031-240-212	Employee Benefits	\$15,253	\$10,500	(\$4,753)
2031-240-240	Supplies & Materials	\$5,329	\$9,000	\$3,671
2061-850-260	Debt Service	\$3,798	\$0	(\$3,798)
2901-120-212	Employee Benefits	\$4,481	\$6,000	\$1,519
2901-120-240	Supplies & Materials	\$72,141	\$140,000	\$67,859
2901-850-260	Debt Service	\$182,101	\$0	(\$182,101)
3101-800-550	Capital Outlay	\$350,000	\$0	(\$350,000)
3101-850-270	Debt Service	\$225,334	\$65,000	(\$160,334)
3901-850-260	Debt Service	\$68,149	\$70,000	\$1,851
5101-531-211	Salaries/Wages	\$30,182	\$35,500	\$5,318
5101-850-240	Supplies & Materials	\$53,243	\$90,000	\$36,757
5201-541-212	Employee Benefits	\$12,006	\$9,500	(\$2,506)
5201-541-240	Supplies & Materials	\$48,885	\$106,000	\$57,115
5201-920-920	Advances Out	\$100,000	\$0	(\$100,000)

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2002-003 (Continued)

Noncompliance Citation and Material Weakness - Ohio Rev. Code § 5705.40 (Continued)

For the year ending December 31, 2002:

Fund	Fund Description	Appropriations Posted to the Books	Appropriations filed with the County Auditor	Variance
9201-755-212	Employee Benefits	\$1,767	\$3,500	\$1,733
9201-755-240	Supplies & Materials	\$3,298	\$1,500	(\$1,798)
9201-755-610	Deposits Refunded	\$6,590	\$10,000	\$3,410
9201-910-910	Transfers Out	\$371,244	\$400,000	\$28,756
1000-110-211	Salaries/Wages	\$130,544	\$85,000	(\$45,544)
1000-110-212	Employee Benefits	\$55,971	\$58,000	\$2,029
1000-110-240	Supplies & Materials	\$11,210	\$10,000	(\$1,210)
1000-110-250	Capital Outlay	\$12,660	\$0	(\$12,660)
1000-410-330	Contractual Services	\$2,250	\$0	(\$2,250)
1000-715-211	Salaries/Wages	\$47,428	\$4,000	(\$3,428)
1000-720-230	Contractual Services	\$1,681	\$0	(\$1,681)
1000-725-212	Employee Benefits	\$900	\$2,550	\$1,650
1000-725-240	Supplies & Materials	\$7,430	\$5,000	(\$2,430)
1000-730-240	Supplies & Materials	\$11,716	\$5,000	(\$6,716)
1000-750-250	Auditor of State Fees	\$7,200	\$2,200	(\$5,000)
1000-750-230	Contractual Services	\$8,681	\$15,500	\$6,819
1000-800-530	Capital Outlay	\$439,975	\$0	(\$439,975)
1000-910-270	Transfers Out	\$28,405	\$0	(\$28,405)
2011-610-211	Salaries/Wages	\$73,107	\$48,000	(\$25,107)
2011-610-240	Supplies & Materials	\$59,006	\$80,000	\$20,994
2031-240-211	Salaries/Wages	\$26,975	\$10,000	(\$16,975)
2031-240-212	Employee Benefits	\$13,138	\$5,246	(\$7,892)
2061-850-260	Debt Service	\$3,900	\$0	(\$3,900)
2401-130-240	Supplies & Materials	\$16,910	\$10,000	(\$6,910)
2901-120-240	Supplies & Materials	\$82,470	\$70,000	(\$12,470)
2901-910-270	Transfers Out	\$61,009	\$0	(\$61,009)
3205-850-260	Debt Service	\$30,000	\$0	(\$30,000)
5101-531-211	Salaries/Wages	\$38,517	\$35,000	(\$3,517)
5101-531-240	Supplies & Materials	\$92,200	\$70,000	(\$22,200)
5201-541-211	Salaries/Wages	\$30,263	\$28,000	(\$2,263)
5201-541-240	Supplies & Materials	\$73,563	\$70,000	(\$3,563)
5201-541-271	Transfers Out	\$21,500	\$31,500	\$10,000
5721-539-230	Contractual Services	\$303,863	\$0	(\$303,863)

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2002-003 (Continued)

Noncompliance Citation and Material Weakness - Ohio Rev. Code § 5705.40 (Continued)

For the year ending December 31, 2002 (Continued):

		Appropriations Posted to the	Appropriations filed with the	
Fund	Fund Description	Books	County Auditor	Variance
5721-750-260	Debt Service	\$20,547	\$9,500	(\$11,047)
9201-755-240	Supplies & Materials	\$3,679	\$2,000	(\$1,679)
9201-755-610	Deposits Refunded	\$7,384	\$5,000	(\$2,384)
9201-910-270	Transfers Out	\$317,539	\$320,900	\$3,361

We recommend Village management review budgetary procedures for amending appropriations, document Council's approval of all appropriations amendments in Council's minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Clerk-Treasurer should post these amendments only after Council's approval and the County Auditor's certification have been obtained

FINDING NUMBER 2002-004

Noncompliance Citation

Ohio Rev. Code § 5705.39 requires appropriations from each fund to be limited to total estimated resources. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

During the year ended December 31, 2001, appropriations exceeded estimated resources in the Street Construction, Maintenance and Repair Fund by \$23,193 and in the Fire Station Bond Fund by \$112,000. During the year ended December 31, 2002, appropriations exceeded estimated resources in the Street Construction, Maintenance and Repair Fund by \$55,018, in the Fire Station Bond Fund by \$110,000, and in the Sewer Construction Fund by \$30,484.

Prior to Council authorizing original appropriations or approving any amendments, we recommend Council compare proposed appropriations with the Certificate of Estimated Resources and any amendments thereto, to ensure appropriations will not exceed estimated resources. As indicated in finding number 2002-003 above, appropriations should not be posted to the Village's books until the County Auditor has certified that they do not exceed estimated resources.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2002-005

Noncompliance Citation

Ohio Revised Code § 5705.36 allows all political subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

Actual resources were significantly less than estimated resources in the Street, Construction, Maintenance and Repair Fund and the Income Tax Fund for 2001 and in the Income Tax Fund for 2002. A reduced amended certificate should have been obtained for these funds when management became aware that estimates were too high.

We recommend Council compare actual receipts to estimated receipts on a monthly basis to determine if amendments certificates are needed.

FINDING NUMBER 2002-006

Noncompliance Citation and Material Weakness

Ohio Revised Code § 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Although inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans, the intent of this type of cash advance is to require repayment within the current or succeeding year and cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision (Village Council) which must include both a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

On November 6, 2001, the Village advanced \$10,000 from the State Highway Improvement Fund to the Street Construction, Maintenance and Repair Fund. The monies advanced to the Street Construction, Maintenance and Repair Fund were used to pay the expenses of paving a Village street that is not a state highway. There is no statutory authority for the State Highway Improvement Fund to expend monies for street paving, other than paving state highways. Furthermore, the advance was not approved by a formal resolution of Council stating that the transaction was an advance and the fund from which repayment would be made.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2002-006 (Continued)

Noncompliance Citation and Material Weakness - Ohio Rev. Code § 5705.10 (Continued)

On December 14, 2001, the Village advanced \$100,000 from the Sewer Operating Fund to the General Fund. The monies advanced to the General Fund were used to pay for general operating expenses of the Village. There is no statutory authority for the Sewer Operating Fund to expend monies for general operating expenses of the Village. Furthermore, the advance was not approved by a formal resolution of Council stating that the transaction was an advance and the fund from which repayment would be made.

As a result of the lack of statutory authority for making these advances, an adjustment was necessary to reduce the Street Construction, Maintenance and Repair Fund balance by \$10,000 and increase the State Highway Improvement Fund balance by a like amount. An adjustment was also necessary to reduce the General Fund balance by \$100,000 and increase the Sewer Operating Fund balance by a like amount. These adjustments, with which management agrees, have been posted to the Village's books and are reflected in the accompanying financial statements.

We recommend Village Council first consider the restrictions on inter-fund cash advances prior to advancing monies. If monies are not available in those funds which may meet the inter-fund cash advance restrictions, then Village Council should consider other alternatives, such as obtaining a tax advance from the County Auditor or a short-term loan. Management should refer to Auditor of State Bulletin 97-003 for guidance when considering inter-fund cash advances.

FINDING NUMBER 2002-007

Noncompliance Citation

Ohio Revised Code § 5705.10 states, in part, that money that is paid into a fund must be used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

At December 31, 2001, the Street Construction, Maintenance and Repair Fund had a negative fund cash balance of \$7,393. At December 31, 2002, the Street Construction, Maintenance and Repair Fund had a negative fund cash balance of \$9,996.

These negative cash fund balances were the result of audit adjustments as discussed in Finding 2002-006.

We recommend the Village Clerk-Treasurer deny any payment requests where funds are not available.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2002-008

Noncompliance Citation and Material Weakness

Sections 3 and 4 of Dresden Ordinance No. 00-29 - *An Ordinance Authorizing the Issuance of \$43,904.60 of Bonds for the Purpose of Paying Part of the Cost of Acquiring Police Vehicles and Related Equipment and Declaring an Emergency* require, in part, that principal and interest on the bonds shall be made on each interest payment date and that the Village provide a fund to pay the interest and principal on the Bonds when due. The Village of Dresden's Police Vehicle Bond, Series 2000 requires interest and principal to be paid on December 28 of each year until redemption.

The Village did not make the annual principal and interest payment due on December 28, 2002 until January 3, 2003. In addition, the Village did not establish a Police Vehicles Bond Fund as required by the ordinance. During 2001, the Village received special levy monies of \$17,379 for the repayment of Police Vehicles Bonds and posted it to the Fire Bond Fund rather than to a Police Vehicles Bond Fund. The General Fund made a principal and interest payment of \$14,617 during 2001. During 2002, levy monies of \$16,464 were posted to the General Fund rather than to a Police Vehicles Bond Fund. The principal and interest amount of \$16,445 due on December 28, 2002 was paid on January 3, 2003 from the General Fund.

Without the establishment and use of a separate fund for the repayment of debt and without remitting payments in a timely manner, compliance with debt requirements was not met. Adjustments were made to the 2001 and 2002 financial statements in order to properly reflect the levy proceeds in a Police Vehicles Bond Fund and to properly reflect the 2001 debt payment in a Police Vehicles Bond Fund.

We recommend the Clerk-Treasurer establish a Police Vehicles Bond Fund, within the Debt Service Fund Type, and account for all financial transactions concerning the retirement of the Police Vehicles Bonds within this fund. We also recommend debt payments be made in a timely manner.

FINDING NUMBER 2002-009

Noncompliance Citation

The Village of Dresden's Fire Equipment Bond, Series 2000 requires the Village to make semi-annual interest payments due June 1 and December 1 and to make annual principal payments on December 1, beginning in 2001.

The Village's interest payments due June 1 and December 1, 2002, as well as the principal payment due December 1, 2002 were not made until January 21, 2003.

As a result, the Village did not comply with the debt requirements and incurred additional interest charges.

We recommend the Clerk-Treasurer pay the principal and interest as it becomes due.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2002-010

Material Weakness

During 2002 and 2001, the Village Clerk-Treasurer did not accurately post all budgeted receipts to the accounting system. Variances existed between the amounts on the certificates of estimated resources and the amounts posted to the accounting system as follows:

December 31, 2002:

Fund	Budgeted Receipts per the UAN system	Budgeted Receipts per the Final Certificate of Estimated Resources	Variance
General Fund	\$168,700	\$666,752	\$498,052
Street Construction, Maintenance and Repair Fund	\$44,000	\$122,375	\$78,375
State Highway Fund	\$3,010	\$3,098	\$88
Cemetery Fund	\$18,000	\$39,517	\$28,517
Street Lighting Fund	\$1,000	\$3,740	\$2,740
Fire Bond Fund	\$44,000	\$41,900	(\$2,100)
Fire Station Bond Fund	\$61,009	\$0	(\$61,009)
Fire and Squad Fund	\$91,600	\$97,200	\$5,600
Sewer Construction Fund	\$75,000	\$0	(\$75,000)
Water Fund	\$152,000	\$165,000	\$13,000
Sewer Fund	\$147,000	\$152,000	\$5,000

December 31, 2001:

Fund	Budgeted Receipts per the UAN system	Budgeted Receipts per the Final Certificate of Estimated Resources	Variance
General	\$150,876	\$636,015	\$ 485,139
Street Construction, Maintenance and Repair Fund	\$48,000	\$258,368	\$ 210,368
Cemetery Fund	\$35,000	\$50,343	\$ 15,343
Fire Bond Fund	\$62,312	\$618,798	\$ 556,486

Because the information entered into the accounting system was inaccurate, Village management was unable to effectively monitor budget verses actual activity. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present the certified amount of estimated receipts.

We recommend the Clerk-Treasurer record estimated receipts directly from the certificate of estimated resources and any amendments thereto. This would ensure useful comparisons of estimated to actual receipts to be made throughout the year and help indicate when an increased or decreased amended certificate should be obtained.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2002-011

Material Weakness

Although the duplicate check and original invoice were maintained on file for each disbursement made by the Village, the procedures followed by Village Council and its finance committee did not provide for the review of invoices and duplicate checks by Village Council and/or the finance committee prior to the payment of bills.

This procedure could allow bills to be paid where adequate supporting documentation does not exist and/or where purchases do not provide for a proper public purpose.

We recommend that when bills are presented for payment, the Clerk-Treasurer print out the checks, utilize the duplicate check as a voucher and attach the original invoice (bill) to the duplicate check. Village Council (or its designated committee) should then review the invoice and sign the voucher as an indication the invoice is approved for payment. Once Council (or its designated committee) has signed the vouchers, the Clerk-Treasurer could then mail the checks.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-31060-001	Ohio Revised Code § 5705.41(D), failure to certify funds.	No	Not Corrected. Although appropriations were adopted during 2001 and 2002, the Clerk-Treasurer did not certify all funds. See finding 2002-001.
2000-31060-002	Ohio Revised Code § 5705.41(B), expenditures made without benefit of appropriations.	No	Not Corrected. Although the Village adopted appropriations during 2001 and 2002, expenditures exceeded appropriations in several funds. See finding 2002-002.
2000-31060-003	Ohio Revised Code §5705.39, failure to limit each fund's appropriations to total estimated resources.	No	Not Corrected. Appropriations exceeded estimated resources in several funds. See finding 2002-004
2000-31060-004	Ohio Revised Code §5705.36, failure to obtain an amended certificate.	No	Not Corrected. See finding 2002-005.
2000-31060-005	Ohio Revised Code § 5705.36, failure to submit total of sources available for expenditure to County Auditor	Yes	
2000-31060-006	Ohio Revised Code § 5705.38, failure to adopt annual appropriation measure by April 1	Yes	
2000-31060-007	Ohio Revised Code §5705.10 material negative fund cash balances.	No	Not Corrected. See finding 2002-007.
2000-31060-008	Material Weakness/Non-Compliance, failure to establish separate bond retirement fund	Yes	
2000-31060-009	Material Weakness, failure to properly reflect all Issue II activity	Yes	
2000-31060-010	Material Weakness- inadequate documentation for vouchered disbursements.	No	Not Corrected. The Clerk-Treasurer does not utilize voucher packets. Village Council only reviews/approves a list of bills. See finding 2002-011.
2000-31060-011	Material Weakness – inadequate documentation to support fire and squad runs.	Yes	



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VILLAGE OF DRESDEN

MUSKINGUN 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 20, 2004**