



Dave Yost • Auditor of State

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY
DECEMBER 31, 2016 AND 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Dresden, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2016 and 2015.

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 Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly 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 such 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 opinions.

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 § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2016 and 2015, and the respective changes in financial position or cash flows thereof for the years then ended.

Basis for Additional Opinion Qualification

Charges for Services receipts in the Swimming Pool Enterprise Fund are reported at \$205,801 and \$184,218 for the years ended December 31, 2016 and 2015, respectively, which are 27 and 25 percent of total Enterprise Funds operating receipts for the years ended December 31, 2016 and 2015, respectively. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as Charges for Services receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Enterprise Funds of the Village of Dresden, Muskingum County, Ohio, as of December 31, 2016 and 2015, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1B.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the General, Special Revenue, Debt Service, and Agency Funds of the Village of Dresden, Muskingum County, Ohio as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1B.

Emphasis of Matter

As discussed in Note 11 of the financial statements for the year ended December 31, 2016 and Note 12 for the year ended December 31, 2015, the Village is experiencing financial difficulties caused by adjustments resulting in negative fund balances in the General Fund and Street Construction, Maintenance and Repair Special Revenue Fund. Management's plan in regards to these financial difficulties is described in the aforementioned notes to the financial statements. This matter does not affect our opinion on these financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2018, 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.



Dave Yost
Auditor of State
Columbus, Ohio

March 1, 2018

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**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, 2016**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$112,049	\$28,832	\$61,422	\$202,303
Municipal Income Tax	279,648	0	0	279,648
Intergovernmental	38,148	276,215	8,566	322,929
Special Assessments	0	48,051	0	48,051
Charges for Services	0	261,037	33,118	294,155
Fines, Licenses and Permits	12,792	0	0	12,792
Earnings on Investments	1,020	4	0	1,024
Miscellaneous	11,651	19,598	4,799	36,048
<i>Total Cash Receipts</i>	<u>455,308</u>	<u>633,737</u>	<u>107,905</u>	<u>1,196,950</u>
Cash Disbursements				
Current:				
Security of Persons and Property	255,023	240,665	0	495,688
Public Health Services	0	22,365	0	22,365
Transportation	0	135,080	0	135,080
General Government	107,221	2,652	1,563	111,436
Capital Outlay	0	203,920	0	203,920
Debt Service:				
Principal Retirement	6,284	12,511	113,064	131,859
Interest and Fiscal Charges	798	684	18,839	20,321
<i>Total Cash Disbursements</i>	<u>369,326</u>	<u>617,877</u>	<u>133,466</u>	<u>1,120,669</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>85,982</u>	<u>15,860</u>	<u>(25,561)</u>	<u>76,281</u>
Other Financing Receipts (Disbursements)				
Transfers In	221	57,800	65,311	123,332
Transfers Out	(69,298)	(65,311)	0	(134,609)
Other Financing Uses	(250)	(12,272)	0	(12,522)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(69,327)</u>	<u>(19,783)</u>	<u>65,311</u>	<u>(23,799)</u>
<i>Net Change in Fund Cash Balances</i>	16,655	(3,923)	39,750	52,482
<i>Fund Cash Balances, January 1</i>	<u>(88,411)</u>	<u>280,669</u>	<u>79,130</u>	<u>271,388</u>
Fund Cash Balances, December 31				
Restricted	0	325,039	118,880	443,919
Unassigned (Deficit)	<u>(71,756)</u>	<u>(48,293)</u>	<u>0</u>	<u>(120,049)</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$71,756)</u>	<u>\$276,746</u>	<u>\$118,880</u>	<u>\$323,870</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, 2016**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$748,812	\$0	\$748,812
Miscellaneous	4,502	0	4,502
<i>Total Operating Cash Receipts</i>	<u>753,314</u>	<u>0</u>	<u>753,314</u>
Operating Cash Disbursements			
Personal Services	175,240	0	175,240
Employee Fringe Benefits	49,201	0	49,201
Contractual Services	154,778	0	154,778
Supplies and Materials	277,812	0	277,812
<i>Total Operating Cash Disbursements</i>	<u>657,031</u>	<u>0</u>	<u>657,031</u>
<i>Operating Income (Loss)</i>	<u>96,283</u>	<u>0</u>	<u>96,283</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	27,884	0	27,884
Principal Retirement	(45,686)	0	(45,686)
Interest and Other Fiscal Charges	(11,325)	0	(11,325)
Other Financing Sources	0	15,985	15,985
Other Financing Uses	(15,000)	(15,985)	(30,985)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(44,127)</u>	<u>0</u>	<u>(44,127)</u>
<i>Income (Loss) before Transfers and Advances</i>	52,156	0	52,156
Transfers In	11,677	0	11,677
Transfers Out	(400)	0	(400)
<i>Net Change in Fund Cash Balances</i>	63,433	0	63,433
<i>Fund Cash Balances, January 1</i>	<u>716,556</u>	<u>0</u>	<u>716,556</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$779,989</u></u>	<u><u>\$0</u></u>	<u><u>\$779,989</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, 2016**

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 general governmental services, including water and sewer utilities, park operations (leisure time activities), paid fire/ambulance protection, and police services (security of persons and property).

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Council 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

During the period the Village maintained a general checking account, certificates of deposit, savings account, and mayor's court checking account.

The Village has no investments.

D. Fund Accounting

The Village uses fund accounting to segregate cash 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 of specific revenue 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:

Bedford Place TIF - A TIF was generated as the result of an addition to the Village in 2014. A TIF is a public financing method that is used as a subsidy for redevelopment, infrastructure, and other community-improvement projects.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Cemetery - The Cemetery Fund accounts for and reports on the funds collected by sale of lots and burials in the Village owned land.

Fire and Squad - The fire department fund accounts for and reports on the funds collected by fire protection and EMS services contracts, as well as billed payments received for Emergency Medical Services.

Fire Operations Sinking Fund - The Fire Operations Sinking Fund accounts for and reports on funds collected by fire and EMS contracts which provides the payroll for Firefighters and EMS personnel employed by the Village.

OMVI Fund - The OMVI fund receives funds from the State of Ohio which are specifically assigned to OMVI uses.

Permissive MVL - This fund accounts for and reports funds received from the State of Ohio for purposes pertaining to road repairs.

Police Cruiser Fund - This fund receives funds from the Police Department fund raisers that use donations to aid in the purchase of vehicles for the Police Department.

State Highway - The State Highway Fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of the state highway within the Village. This includes light repairs and painting of pedestrian walking lines.

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

Street Lighting Fund - This fund receives a special assessment levy to pay for Village street lighting.

3. 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 has the following significant Enterprise Funds:

Senior Center - This account receives funds that apply towards the regular expenses related to the running of a Senior Citizens Center.

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

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

Swimming Pool Fund - This fund receives money from season pool passes, pool admittances and sale of concessions which is used to operate the public swimming pool.

Sewer Construction Fund - This fund accounts for and reports the portion of revenue received from monthly water and sewer bills.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Trinway Water Project - This fund accounts for and reports the portion of revenue received from monthly water and sewer bills.

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

Water Sinking Capital Improvement - This fund accounts for and reports the portion of revenue received from monthly water and sewer bills.

4. 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 has the following significant Debt Service Funds:

Ambulance Sinking Fund - This fund accounts for debt service payments for purposes of ambulance purchases.

Fire Bond - This fund accounts for debt service payments for purposes of Fire Truck purchases.

Fire Sinking Fund - This fund accounts for debt service payments for purposes of large equipment purchases.

Fire Station Bond - This fund accounts for debt service payments for purposes of paying for the fire station.

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.

1. Appropriations

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

VILLAGE OF DRESDEN
MUSKINGUM COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

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.

A summary of 2016 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

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 of all funds used. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2016
Demand deposits	\$ 1,098,116
Certificate of deposit	5,743
Total deposits	\$ 1,103,859

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2016 is as follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$589,013	\$455,529	(\$133,484)
Special Revenue	916,260	691,537	(224,723)
Debt Service	102,484	173,216	70,732
Enterprise	709,971	792,875	82,904
Fiduciary	9,475	15,985	6,510
Total	\$2,327,203	\$2,129,142	(\$198,061)

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$550,241	\$438,874	\$111,367
Special Revenue	586,703	695,460	(108,757)
Debt Service	181,178	133,466	47,712
Enterprise	1,380,043	729,442	650,601
Fiduciary	6,985	15,985	(9,000)
Total	\$2,705,150	\$2,013,227	\$691,923

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority for the year ended December 31, 2016 in the following funds:

Street Construction, Maintenance, and Repair	(30,322)
Permissive Motor Vehicle License Tax	(8,821)
Bedford Place TIF	(11,538)
Fire and Squad	(139,503)
Police Cruiser	(3,052)
Fire Bond	(1,365)
Fire Station Bond	(48,846)
Senior Center	(11,538)
Storm Sewer	(846)

Also contrary to Ohio law, at December 31, 2016, the General Fund and Street Construction, Maintenance, and Repair fund had cash deficit balances of (\$71,756) and (\$48,293). In addition, contrary to Ohio law, the Village made transfers and advances that did not meet the applicable legal requirements and posted monies to the improper funds.

4. PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which the council adopted tax rates. 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 make semiannual payment, 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.

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent 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. The Central Collection Agency administers the income tax for the Village.

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

6. DEBT

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA - 5281 Trinway Waterline Extension	\$243,499	0.00%
OWDA - 5974 Groundwater Exploration Planning	8,405	3.99%
USDA Fire Station Bonds	91,100	4.75%
Fire Truck Bonds	254,250	2.97%
OPWC - CTA5M Trunk Line Replacement	185,967	0.00%
Swim Center Bonds	338,526	3.50%
Ambulance Acquisition Bonds	6,183	2.90%
Building Improvement Bonds	19,062	3.50%
Police Vehicle Bond	19,354	2.50%
Total	<u><u>\$1,166,346</u></u>	

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 from the Trinway Water Project Fund. The OWDA Loan #5974 relates to the groundwater exploration planning project in 2011. This loan has not been fully disbursed as of December 31, 2016, and no amortization schedule is available for its repayment. This loan is being repaid from the Water Operating Fund. 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 from the Fire Bond Fund.

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 from the Sewer Construction Fund.

The Village issued Swim Center Bonds in 2014 in the amount of \$375,000 from Century National Bank. The debt will be repaid over 15 years with monthly payments of \$2,185 from the Swimming Pool and Senior Fund. The Village issued Ambulance Acquisition Bonds in 2014 in the amount of \$35,829 from Century National Bank. The debt will be repaid over three years with monthly payments of \$1,041, including interest, from the Ambulance Sinking Fund. The Village issued Building Improvement Bonds in 2014 in the amount of \$32,400 from Century National Bank. The debt will be repaid over five years with monthly payments of \$589.16, including interest, from the General Fund. The Village issued a Police Vehicle Bond in 2015 in the amount of \$38,000 from Century National Bank. The debt will be repaid over three years with quarterly installments of \$3,299, including interest, from the Police Cruiser Fund.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

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

Year Ending December 31:	USDA Fire Station	Ambulance	Buidling Improvement	Police Vehicle Bond
2017	\$48,827	\$6,246	\$7,082	\$13,194
2018	48,813	0	7,082	6,597
2019	0	0	5,901	0
Total	<u>\$97,640</u>	<u>\$6,246</u>	<u>\$20,065</u>	<u>\$19,791</u>

Year Ending December 31:	Fire Truck Bonds	OWDA #5281	OPWC #CTA5M	Swim Center
2017	\$69,522	\$5,181	\$7,153	\$26,217
2018	69,522	10,362	14,305	26,218
2019	69,522	10,362	14,305	26,217
2020	69,522	10,362	14,305	26,218
2021	0	10,362	14,305	26,217
2022-2026	0	51,808	71,526	131,088
2027-2031	0	51,808	50,068	131,088
2032-2036	0	51,808	0	61,533
2037-2041	0	41,446	0	0
Total	<u>\$278,088</u>	<u>\$243,499</u>	<u>\$185,967</u>	<u>\$454,796</u>

An amortization schedule for OWDA Loan #5974 has not been presented, as all funds have not yet been disbursed as of December 31, 2016.

7. RETIREMENT SYSTEMS

The Village's full time law enforcement officers belong to the Ohio 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 2016 OP&F participants contributed 12.25% of their wages and the Village contributed to OP&F an amount equal to 19.5% of police participant wages. For 2016 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, 2016.

8. POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

9. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

10. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

11. FINANCIAL DIFFICULTIES

The General Fund and Street Construction, Maintenance and Repair Funds had audit adjustments that were posted to the financial statements and accounting records that resulted in fund deficits of \$71,756 and \$48,293, respectively, as of December 31, 2016. The Village will monitor all expenditures of these funds.

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**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, 2015**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$114,815	\$8,158	\$62,282	\$185,255
Municipal Income Tax	225,242	0	0	225,242
Intergovernmental	41,578	71,436	8,580	121,594
Special Assessments	0	50,689	0	50,689
Charges for Services	0	235,275	27,631	262,906
Fines, Licenses and Permits	9,102	0	0	9,102
Earnings on Investments	867	77	0	944
Miscellaneous	12,121	21,163	4,800	38,084
<i>Total Cash Receipts</i>	<u>403,725</u>	<u>386,798</u>	<u>103,293</u>	<u>893,816</u>
Cash Disbursements				
Current:				
Security of Persons and Property	274,775	147,733	0	422,508
Public Health Services	0	23,868	0	23,868
Transportation	0	167,265	0	167,265
General Government	93,614	3,452	1,482	98,548
Capital Outlay	0	47,470	0	47,470
Debt Service:				
Principal Retirement	6,572	6,134	107,536	120,242
Interest and Fiscal Charges	1,129	464	23,355	24,948
<i>Total Cash Disbursements</i>	<u>376,090</u>	<u>396,386</u>	<u>132,373</u>	<u>904,849</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>27,635</u>	<u>(9,588)</u>	<u>(29,080)</u>	<u>(11,033)</u>
Other Financing Receipts (Disbursements)				
Sale of Bonds	0	38,000	0	38,000
Sale of Capital Assets	0	0	3,550	3,550
Transfers In	1,058	88,037	55,525	144,620
Transfers Out	(109,115)	(55,605)	0	(164,720)
Other Financing Sources	2,719	0	0	2,719
Other Financing Uses	(1,226)	0	0	(1,226)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(106,564)</u>	<u>70,432</u>	<u>59,075</u>	<u>22,943</u>
<i>Net Change in Fund Cash Balances</i>	(78,929)	60,844	29,995	11,910
<i>Fund Cash Balances, January 1 (Restated - See Note 11)</i>	<u>(9,482)</u>	<u>219,825</u>	<u>49,135</u>	<u>259,478</u>
Fund Cash Balances, December 31				
Restricted	0	337,966	79,130	417,096
Unassigned (Deficit)	<u>(88,411)</u>	<u>(57,297)</u>	<u>0</u>	<u>(145,708)</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$88,411)</u>	<u>\$280,669</u>	<u>\$79,130</u>	<u>\$271,388</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, 2015**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$720,449	\$0	\$720,449
Miscellaneous	7,848	0	7,848
<i>Total Operating Cash Receipts</i>	<u>728,297</u>	<u>0</u>	<u>728,297</u>
Operating Cash Disbursements			
Personal Services	174,644	0	174,644
Employee Fringe Benefits	59,011	0	59,011
Contractual Services	161,702	0	161,702
Supplies and Materials	208,001	0	208,001
<i>Total Operating Cash Disbursements</i>	<u>603,358</u>	<u>0</u>	<u>603,358</u>
<i>Operating Income (Loss)</i>	<u>124,939</u>	<u>0</u>	<u>124,939</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	85,000	0	85,000
Other Debt Proceeds	17,500	0	17,500
Miscellaneous Receipts	8,940	0	8,940
Principal Retirement	(183,432)	0	(183,432)
Interest and Other Fiscal Charges	(13,833)	0	(13,833)
Other Financing Sources	0	12,352	12,352
Other Financing Uses	0	(12,352)	(12,352)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(85,825)</u>	<u>0</u>	<u>(85,825)</u>
<i>Income (Loss) before Transfers and Advances</i>	39,114	0	39,114
Transfers In	21,078	0	21,078
Transfers Out	(978)	0	(978)
<i>Net Change in Fund Cash Balances</i>	59,214	0	59,214
<i>Fund Cash Balances, January 1 (Restated - See Note 11)</i>	<u>657,352</u>	<u>0</u>	<u>657,352</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$716,566</u></u>	<u><u>\$0</u></u>	<u><u>\$716,566</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, 2015**

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 general governmental services, including water and sewer utilities, park operations (leisure time activities), paid fire/ambulance protection, and police services (security of persons and property).

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Council 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

During the period the Village maintained a general checking account, certificates of deposit, savings account, and mayor's court checking account.

The Village has no investments.

D. Fund Accounting

The Village uses fund accounting to segregate cash 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 of specific revenue 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:

Cemetery - The Cemetery Fund accounts for and reports on the funds collected by sale of lots and burials in the Village owned land.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Fire and Squad - The fire department fund accounts for and reports on the funds collected by fire protection and EMS services contracts, as well as billed payments received for Emergency Medical Services.

Fire Operations Sinking Fund - The Fire Operations Sinking Fund accounts for and reports on funds collected by fire and EMS contracts which provides the payroll for Firefighters and EMS personnel employed by the Village.

OMVI Fund - The OMVI fund receives funds from the State of Ohio which are specifically assigned to OMVI uses.

Permissive MVL - This fund accounts for and reports funds received from the State of Ohio for purposes pertaining to road repairs.

Police Cruiser Fund - This fund receives funds from the Police Department fund raisers that use donations to aid in the purchase of vehicles for the Police Department.

State Highway - The State Highway Fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of the state highway within the Village. This includes light repairs and painting of pedestrian walking lines.

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

Street Lighting Fund - This fund receives a special assessment levy to pay for Village street lighting.

3. 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 has the following significant Enterprise Funds:

Senior Center - This account receives funds that apply towards the regular expenses related to the running of a Senior Citizens Center.

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

Swimming Pool Fund - This fund receives money from season pool passes, pool admittances and sale of concessions which is used to operate the public swimming pool.

Sewer Construction Fund - This fund accounts for and reports the portion of revenue received from monthly water and sewer bills.

Trinway Water Project - This fund accounts for and reports the portion of revenue received from monthly water and sewer bills.

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Water Sinking Capital Improvement - This fund accounts for and reports the portion of revenue received from monthly water and sewer bills.

4. 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 has the following significant Debt Service Funds:

Ambulance Sinking Fund - This fund accounts for debt service payments for purposes of ambulance purchases.

Fire Bond - This fund accounts for debt service payments for purposes of Fire Truck purchases.

Fire Sinking Fund - This fund accounts for debt service payments for purposes of large equipment purchases.

Fire Station Bond - This fund accounts for debt service payments for purposes of paying for the fire station.

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.

1. Appropriations

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

2. Estimated Resources

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

3. Encumbrances

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

A summary of 2015 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

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 of all funds used. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2015
Demand deposits	\$ 982,251
Certificate of deposit	5,703
Total deposits	\$ 987,954

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2015 is as follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$353,798	\$407,502	\$53,704
Special Revenue	453,403	512,835	59,432
Debt Service	113,736	162,368	48,632
Enterprise	852,231	860,815	8,584
Fiduciary	10,000	12,352	2,352
Total	\$1,783,168	\$1,955,872	\$172,704

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$340,840	\$486,431	(\$145,591)
Special Revenue	876,665	451,991	424,674
Debt Service	189,962	132,373	57,589
Enterprise	1,271,436	801,601	469,835
Fiduciary	10,000	12,352	(2,352)
Total	\$2,688,903	\$1,884,748	\$804,155

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund, Fire Station Bond, Swimming Pool, and Senior Center funds by \$145,591, \$9,925, \$94,974, and \$4,145, respectively, for the year ended December 31, 2015. Also contrary to Ohio law, at December 31, 2015, the General Fund and Street Construction, Maintenance, and Repair fund had cash deficit balances of (\$88,411) and (\$57,297). In addition, contrary to Ohio law, the Village made transfers and advances that did not meet the applicable legal requirements and posted monies to the improper funds.

4. PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which the council adopted tax rates. 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 make semiannual payment, 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.

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent 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. The Central Collection Agency administers the income tax for the Village.

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

6. DEBT

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA - 5281 Trinway Waterline Extension	\$253,860	0.00%
OWDA - 5808 Wastewater Treatment Plant Design	3,813	0.00%
OWDA - 5974 Groundwater Exploration Planning	10,414	3.99%
USDA Fire Station Bonds	133,600	4.75%
Fire Truck Bonds	311,700	2.97%
OPWC - CTA5M Trunk Line Replacement	200,272	0.00%
Swim Center Bonds	353,579	3.50%
Ambulance Acquisition Bonds	19,297	2.90%
Building Improvement Bonds	25,346	3.50%
Police Vehicle Bond	31,866	2.50%
Total	<u>\$1,343,747</u>	

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 from the Trinway Water Project Fund.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

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, 2015, and no amortization schedule is available for its repayment. This loan is being repaid from the Sewer Construction Fund. The OWDA Loan #5974 relates to the groundwater exploration planning project in 2011. This loan has not been fully disbursed as of December 31, 2015, and no amortization schedule is available for its repayment. This loan is being repaid from the Water Operating Fund. 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 from the Fire Bond Fund.

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 from the Sewer Construction Fund.

The Village issued Swim Center Bonds in 2014 in the amount of \$375,000 from Century National Bank. The debt will be repaid over 15 years with monthly payments of \$2,185 from the Swimming Pool and Senior Fund. The Village issued Ambulance Acquisition Bonds in 2014 in the amount of \$35,829 from Century National Bank. The debt will be repaid over three years with monthly payments of \$1,041, including interest, from the Ambulance Sinking Fund. The Village issued Building Improvement Bonds in 2014 in the amount of \$32,400 from Century National Bank. The debt will be repaid over five years with monthly payments of \$589.16, including interest, from the General Fund. The Village issued a Police Vehicle Bond in 2015 in the amount of \$38,000 from Century National Bank. The debt will be repaid over three years with quarterly installments of \$3,299, including interest, from the Police Cruiser Fund.

The Village issued a Swim Center Bond Anticipation Note in 2014 in the amount of \$70,000 from Century National Bank. The debt was repaid in 2015 from the Swimming Pool Fund.

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

Year Ending December 31:	USDA Fire Station	Ambulance	Buidling Improvement	Police Vehicle Bond
2016	\$48,846	\$12,493	\$7,082	\$13,194
2017	48,827	7,287	7,082	13,194
2018	48,813	0	7,082	6,597
2019	0	0	5,901	
Total	<u>\$146,486</u>	<u>\$19,780</u>	<u>\$27,147</u>	<u>\$32,985</u>

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Year Ending December 31:	Fire Truck Bonds	OWDA #5281	OPWC #CTA5M	Swim Center
2016	\$69,522	\$5,181	\$7,153	\$26,218
2017	69,522	10,362	14,305	26,217
2018	69,522	10,361	14,305	26,218
2019	69,522	10,362	14,305	26,217
2020	69,522	10,362	14,305	26,218
2021-2025	0	51,808	71,526	131,088
2016-2030	0	51,808	64,373	131,088
2031-2035	0	51,808	0	89,575
2036-2040	0	51,808	0	0
Total	<u>\$347,610</u>	<u>\$253,860</u>	<u>\$200,272</u>	<u>\$482,839</u>

Amortization schedules for OWDA Loans #5808 and #5974 have not been presented, as all funds have not yet been disbursed as of December 31, 2015.

7. RETIREMENT SYSTEMS

The Village's full time law enforcement officers belong to the Ohio 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 January 1, 2015 through June 30, 2015, OP&F participants contributed 11.5% of their wages. For July 1, 2015 through December 31, 2015, OP&F participants contributed 12.25% of their wages. For 2015, the Village contributed to OP&F an amount equal to 19.5% of police participant wages. For 2015, 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, 2015.

8. POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. OP&F contributes 0.5 percent to fund these benefits.

9. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

10. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

11. PRIOR PERIOD ADJUSTMENT

During 2015, the Village repaid an Advance which was originally made from the Water Operating Fund to the General Fund during 2014 in the amount of \$15,000. The original advance was determined to be unallowable. This resulted in the following adjustment to the beginning fund balances of the General Fund and Enterprise Fund as follows:

	<u>General Fund</u>	<u>Enterprise</u>
Fund Balance December 31, 2014	\$5,518	\$642,352
Adjustment	(15,000)	15,000
Restated Fund Balance December 31, 2014	<u>(\$9,482)</u>	<u>\$657,352</u>

12. FINANCIAL DIFFICULTIES

The General Fund and Street Construction, Maintenance and Repair Funds had audit adjustments that were posted to the financial statements and accounting records that resulted in fund deficits of \$88,411 and 57,297, respectively, as of December 31, 2015. The Village will monitor all expenditures of these funds.

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Dresden, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated March 1, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We qualified our opinion over the Village's financial statements because we were unable to obtain sufficient appropriate audit evidence to support Charges for Services receipts in the amounts of \$205,801 and \$184,218 in the Swimming Pool Enterprise Fund for the years ended December 2016 and 2015, respectively. We also noted the Village is experiencing financial difficulties due to negative General Fund balances.

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.

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 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 Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2016-001 through 2016-003 and 2016-005 through 2016-007 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 Findings as items 2016-001 through 2016-004.

Village's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 1, 2018

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(A) states all revenue derived from the general levy for current expense within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund.

Ohio Rev. Code § 5705.10(B) states all revenue derived from general or special levies for debt charges, whether within or in excess of the ten-mill limitation, which is levied for the debt charges on serial bonds, notes, or certificates of indebtedness having a life less than five years, shall be paid into the bond retirement fund; and all such revenue which is levied for the debt charges on all other bonds, notes, or certificates of indebtedness shall be paid into the sinking fund.

Ohio Rev. Code § 5705.10(D) states all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The following transactions were improperly classified and posted to the incorrect funds in fiscal year 2016:

- Special assessment receipts were improperly posted to Property Taxes rather than Special Assessments and were not properly allocated between the Street Lighting Special Revenue Fund and Bedford Place TIF Special Revenue Fund. Receipts in the amounts of \$25,785 and \$11,133 were recorded as Property Taxes rather than Special Assessments in the Street Lighting Special Revenue Fund and Bedford Place TIF Special Revenue Fund, respectively. Additionally, Special assessments in the amount of \$11,133 were improperly posted to the General Fund rather than the Bedford Place TIF Special Revenue Fund.
- Homestead and rollback receipts, in the amounts of \$11,468 and \$8,566, were improperly recorded as Property Taxes rather than Intergovernmental receipts, in the General Fund and Fire Bond Debt Service Fund, respectively. Additionally, homestead and rollback receipts were not properly allocated between the Village's funds. These receipts were understated in the General Fund and overstated in Street Lighting Special Revenue Fund by \$4,381.
- State and local government highway distribution receipts from the State of Ohio, in amounts totaling \$20,163, were incorrectly posted to the General Fund, rather than being posted to the Street Construction, Maintenance and Repair Special Revenue Fund and the State Highway Special Revenue Fund, in the amounts of \$18,651 and \$1,512, respectively.

The following transactions were improperly classified and posted to the incorrect funds in fiscal year 2015:

- Property tax receipts were not properly allocated between the General Fund and Street Lighting Special Revenue Fund. As a result, Property Taxes were understated in the General Fund and overstated in the Street Lighting Special Revenue Fund by \$1,087.
- Special Assessment receipts were improperly posted to Property Taxes rather than Special Assessments and were not properly allocated between the Street Lighting Special Revenue Fund and Bedford Place TIF Special Revenue Fund. Receipts in the amount of \$25,945 were recorded as Property Taxes rather than Special Assessments in the Street Lighting Special Revenue Fund. Additionally, Special assessments in the amounts of \$20,999 and \$3,745 were improperly posted to the General Fund and Street Lighting Special Revenue Fund, respectively, rather than the Bedford Place TIF Special Revenue Fund.

VILLAGE OF DRESDEN
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)

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

FINDING NUMBER 2016-001 (Continued)

Noncompliance and Material Weakness (Continued)

- Homestead and rollback receipts, in the amounts of \$7,014 and \$3,873, were improperly recorded as Property Taxes rather than Intergovernmental receipts, in the General Fund and Fire Bond Debt Service Fund, respectively. Additionally, homestead and rollback receipts were not properly allocated between the Village's funds. These receipts were understated in the General Fund by \$1,477, understated in the Fire Bond Debt Service Fund by \$549, and overstated in Street Lighting Special Revenue Fund by \$2,025.
- State and local government highway distribution receipts from the State of Ohio, in amounts totaling \$21,227, were incorrectly posted to the General Fund, rather than being posted to the Street Construction, Maintenance and Repair Special Revenue Fund and the State Highway Special Revenue Fund, in the amounts of \$19,635 and \$1,592, respectively. In addition, receipts totaling \$1,728 were incorrectly posted as Property Tax receipts rather than Intergovernmental receipts in the Street Construction, Maintenance and Repair Special Revenue Fund.

These adjustments, to which management has agreed, are reflected in the accompanying financial statements.

The Fiscal Officer should refer to the Ohio Village Handbook for guidance to determine the proper posting of receipts. Receipts should only be posted to the required fund for which each fund was established.

Officials' Response: Fiscal Officer notes errors and will work more diligently to not make same errors in the future. She now has the PDF form of the Village Officer handbook on her desktop and will commit regularly scheduled readings of it to educate herself.

FINDING NUMBER 2016-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.14 states that no transfer shall be made from one fund of a subdivision to any other fund except for those exceptions provided for in Ohio Rev. Code § 5705.14(A) through (H). Ohio Rev. Code § 5705.15 states that in addition to the transfers authorized in Ohio Rev. Code § 5705.14 the taxing authority of any political subdivision may, in the manner provided in this section and Ohio Rev. Code § 5705.16, transfer from one fund to another any public funds under its supervision, except the proceeds or balances of loans, bond issues, special levies for the payment of loans or bond issues, the proceeds or balances of funds derived from any excise tax levied by law for a specified purpose, and the proceeds or balances of any license fees imposed by law for a specified purpose. Except in the case of transfer pursuant to division (E) of Ohio Rev. Code § 5705.14, transfers authorized by Ohio Rev. Code § 5705.14 shall only be made by resolution of the taxing authority passed with the affirmative vote of two-thirds of the members.

Ohio Rev. Code § 5705.10(I) states that money paid into any fund shall be used only for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund.

AOS Bulletin 1997-003 also states that 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.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-002 (Continued)

Noncompliance and Material Weakness (Continued)

AOS Bulletin 1997-003 states that advances must be approved by a formal resolution of the taxing authority of the subdivision which must include:

- 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.

During 2016, the Village transferred \$10,924 from the Permissive Motor Vehicle License Tax Special Revenue Fund to the Street Construction, Maintenance and Repair Special Revenue Fund. This transfer between Special Revenue Funds does not meet the exceptions outlined in Ohio Rev. Code § 5705.14(A) through (H).

For 2015, we noted the following transfers made by the Village which also do not meet the exceptions outlined in Ohio Rev. Code § 5705.14(A) through (H):

- Various transfers totaling \$10,586 from the Permissive Motor Vehicle License Tax Special Revenue Fund to the Street Construction, Maintenance and Repair Special Revenue Fund.
- Various transfers totaling \$8,343 from the Swimming Pool Enterprise Fund to the General Fund.
- A transfer in the amount of \$70,228 from the Sewer Construction Enterprise Fund to the Swimming Pool Enterprise Fund. In the same year the Village transferred the same amount from the Swimming Pool Enterprise Fund back to the Sewer Construction Enterprise Fund.
- A transfer of \$2,537 from the Police Cruiser Special Revenue Fund to the General Fund.

Other various immaterial unallowable transfers during 2016 and 2015 were also noted between the General Fund, State Highway Special Revenue Fund, and Water Operating Enterprise Fund.

The Village also posted advances throughout 2016 and 2015 for which there was not statutory authority to use the money in the creditor fund for the same purposes of the debtor fund.

During 2016, we noted the following unallowable advances:

- An advance of \$337 from the State Highway Special Revenue Fund to the General Fund.
- An advance of \$3,400 from the Cemetery Special Revenue Fund to the Street Construction, Maintenance and Repair Special Revenue Fund.
- Various advances from the Street Lighting Special Revenue Fund, totaling \$8,041 and \$8,600, to the General Fund and Street Construction, Maintenance and Repair Special Revenue Fund, respectively.
- An advance of \$28,000 from the Fire Sinking Debt Service Fund to the General Fund.
- Various advances from the Water Operating Enterprise Fund, totaling \$13,734, \$3,452, and \$6,937, to the General Fund, Street Construction, Maintenance and Repair Special Revenue Fund and Swimming Pool Enterprise Fund, respectively.
- Various advances from the Sewer Operating Enterprise Fund to the General Fund totaling \$3,518.

During 2015, we noted the following unallowable advances:

- Advances from the Street Lighting Special Revenue Fund, in the amounts of \$2,721, \$3,798, and \$449, to the General Fund, Street Construction, Maintenance and Repair Special Revenue Fund, and the Swimming Pool Enterprise Fund, respectively.
- An advance of \$3,565 from the Fire Bond Debt Service Fund to the General Fund.

VILLAGE OF DRESDEN
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)

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

FINDING NUMBER 2016-002 (Continued)

Noncompliance and Material Weakness (Continued)

- Various advances from the Water Operating Enterprise Fund, totaling \$31,306, \$5,434, and \$10,582, to the General Fund, Street Construction, Maintenance and Repair Special Revenue Fund and the Swimming Pool Enterprise Fund, respectively.
- Advances from the Sewer Operating Fund, totaling \$5,000, \$8,000, and \$541, to the General Fund, Street Construction, Maintenance and Repair Special Revenue Fund, and the Swimming Pool Enterprise Fund, respectively.

In addition to the aforementioned items, there were also instances of transfers and advances posted to the accounting system prior to Council approval or without clear evidence of any Council approval. Transferring and advancing monies from inappropriate restricted funds could result in the improper expenditure of the restricted funds.

These adjustments to which management has agreed, plus the subsequent repayments of these advances posted during 2016 and 2015, are reflected in the accompanying financial statements. However, these adjustments created negative fund balances in the General Fund and Street Construction, Maintenance and Repair Special Revenue Fund at December 31, 2016 and 2015. As of the date of our report, the aforementioned unallowable advances had all been repaid to the original funds by the Village.

The Village should review the compliance requirements before approving the transfer or advance of funds to ensure the transfer or advance is allowable and properly authorized. The Village Council should only approve transfers of funds that are specifically allowed by the Ohio Rev. Code. The Village should also monitor the expenditures and fund balances to prevent future expenditures in excess of available resources.

Officials' Response: Fiscal Officer notes errors and will work more diligently to not make same errors in the future. She is broadening her knowledge of the funds and working with council on ways to make use of funds to relieve the burdened Street and General Funds.

FINDING NUMBER 2016-003

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code § 117-2-03.

The Ohio Village Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-003 (Continued)

Noncompliance and Material Weakness (Continued)

Furthermore, Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified and was codified as follows: GASB Cod. 1800.168-169 requires reporting funds whose revenue has external legal constraints as Restricted.

GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as Committed. GASB Cod. 1800.173-176 requires funds without external or internal constraints to report Assigned fund balances for amounts encumbered or set aside to cover the excess of subsequent year appropriations exceeding estimated revenue. GASB Cod. 1800.177 designates Unassigned fund balance as the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Auditor of State Bulletin 2011-004 requires local governments which prepare cash basis financial statements to implement these fund balance classifications and governmental fund type definitions.

Various adjustments, in addition to those discussed in Findings No. 2016-001 and 2016-002, were made to the Village's financial statements for 2016 and 2015, including adjustments necessary to report fund balances in accordance with GASB Statement No. 54.

For the fiscal year ending December 31, 2016, the following adjustments were noted:

- Fire contract receipts were not consistently distributed amongst the Village's fire funds. This resulted in Charges for Services receipts to be overstated by \$21,095 in the Fire Operations Fund and understated by \$21,095 in the Fire and Squad Fund. In addition, we noted \$1,918 in fire contract receipts incorrectly posted to the Sewer Construction Fund rather than the Fire Sinking Fund.
- Cemetery receipts for December 2016 were not transferred from the Village's cemetery bank account to the Village's general account, and therefore not posted to the Village's accounting system, until January 2017. This resulted in Charges for Services receipts being understated by \$4,625 in the Cemetery Fund as of December 31, 2016.
- The Cemetery Fund and Fire Bond Fund ending balances of \$9,193 and \$2,508, respectively, were incorrectly reported as Assigned fund balance rather than Restricted fund balance.
- Utility receipts totaling \$84,790 and \$4,295 were incorrectly reported as Miscellaneous receipts in the Sewer Construction Fund and Special Assessments in the Storm Sewer Fund, respectively, rather than as Charges for Services.

For the fiscal year ending December 31, 2015, the following adjustments were noted:

- Prior year audit adjustments, including the reclassification of certain funds, were reflected on the 2013 and 2014 audited financial statements, but were never adjusted in the Village's accounting system. This resulted in adjustments to beginning fund balance totaling (\$1,558) for the General Fund, \$172,496 for various Special Revenue Funds, \$44,879 for various Debt Service Funds, and (\$215,817) for various Enterprise Funds.
- The previous auditors noted the Fire and Squad Fund, Police Cruiser Fund, and Fire Operations Fund were incorrectly classified as Enterprise Funds rather than Special Revenue Funds. In addition, it was noted that the Ambulance Sinking Fund and Fire Sinking Fund were incorrectly classified as Enterprise Funds rather than Debt Service Funds.

VILLAGE OF DRESDEN
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)

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

FINDING NUMBER 2016-003 (Continued)

Noncompliance and Material Weakness (Continued)

In part due to the Village failing to post the prior audit adjustments, as noted in the previous bullet point, which included adjustments for the reclassification of these Enterprise Funds, the Village incorrectly reported these changes in fund types as Transfers In and Out as of October 26, 2015 rather than adjustments to beginning fund balances. This resulted in adjustments to the financial statements of reported transfers and beginning fund balances between the Enterprise Funds and the newly created Special Revenue and Debt Service Funds in the amounts of \$98,873 for the Fire and Squad Fund, \$14,203 for the Police Cruiser Fund, \$106,114 for the Fire Operations Fund, \$34,906 for the Ambulance Sinking Fund, and \$42,747 in the Fire Sinking Fund. Furthermore, the Village's financial statements failed to properly report the activity from January 1, 2015 through October 26, 2015 in the aforementioned new funds rather than the Enterprise Funds. This resulted in adjustments to the financial statements between the Enterprise, Special Revenue and Debt Service fund types in the amounts of \$146,409 revenue and \$138,772 expenditures for the Fire and Squad Fund, \$17,862 revenue and \$14,925 expenditures for the Police Cruiser Fund, \$32,741 revenue for the Fire Operations Fund, \$33,794 revenue and \$10,411 expenditures for the Ambulance Sinking Fund, and \$6,949 revenue for the Fire Sinking Fund.

- Adjustments were made to reflect financial activity related to the Income Tax Special Revenue Fund within the Village's General Fund to ensure consistent treatment with prior periods.
- The Cemetery Fund ending balance of \$15,700 was incorrectly reported as Assigned fund balance rather than Restricted fund balance.
- Fire and EMS Contract receipts were recorded as Miscellaneous Revenue in the amount of \$21,155 and as Transfers In in the amount of \$2,439, rather than Charges for Services in the Ambulance Sinking Fund. In addition, Fire and EMS Contract receipts were recorded as Miscellaneous Revenue in the amount of \$2,949 rather than Charges for Services in the Fire Sinking Fund.
- Grants received from the State for the Swimming Pool Fund, totaling \$85,000, were recorded as Charges for Services rather than Intergovernmental receipts.
- Utility receipts were recorded as Miscellaneous Revenue in the amount of \$55,570 and as Transfers In in the amount of \$21,133, rather than Charges for Services in the Sewer Construction Fund.

These adjustments, to which management has agreed, are reflected in the accompanying financial statements. Failure to properly classify receipts and disbursements as to the appropriate classification could result in the financial statements being misleading.

The Fiscal Officer should refer to the Ohio Village Handbook for proper classification and take additional care in posting transactions to the Village's ledgers and annual financial report in order to ensure the Village's year-end financial statements reflect the appropriate sources and uses of the Village's receipts and disbursements.

Officials' Response: Fiscal Officer notes errors and will work more diligently to not make same errors in the future. She notes the above-mentioned error and reports that it was asked of her to switch percentages from contracts to reflect additional money in the fund apportioned for personnel. She did make the change but did not get council approval for the switching of two percentage amounts. Fiscal Officer did not complete adjustments and believed that assistance would be given in fixing the matter in the next audit. .

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-004

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits the expenditure of funds unless they have been properly appropriated.

Expenditures plus outstanding commitments exceeded Council approved appropriations for the years ended December 31, 2016 and December 31, 2015 as follows:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
For the year ended December 31, 2016:			
Street Construction, Maintenance and Repair	\$83,019	\$113,341	(\$30,322)
Permissive Motor Vehicle License Tax	9,163	17,984	(8,821)
Bedford Place TIF	0	11,538	(11,538)
Fire and Squad	284,771	424,274	(139,503)
Police Cruiser	15,788	18,840	(3,052)
Fire Bond	69,720	71,085	(1,365)
Fire Station Bond	0	48,846	(48,846)
Senior Center	7,100	18,638	(11,538)
Storm Sewer	0	846	(846)
For the year ended December 31, 2015:			
General	\$340,840	\$486,431	(\$145,591)
Fire Station Bond	38,950	48,875	(9,925)
Swimming Pool	184,134	279,108	(94,974)
Senior Center	12,403	16,548	(4,145)

As noted in Finding 2016-007, appropriations posted to the Village's accounting system did not agree to appropriations adopted by Village Council. In addition, as discussed in Findings 2016-001 through 2016-003, various adjustments were noted during the audit as the result of incorrect postings. These deficiencies contributed to the above loss of budgetary control. Failure to limit expenditures to Council approved appropriations could result in deficit spending within the Village's funds.

The Fiscal Officer should deny payment requests exceeding appropriations. The Fiscal Officer and Village Council should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Village Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

Officials' Response: Fiscal Officer notes errors and will make corrections to this in the future.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-005

Material Weakness

The Village should design and operate a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for its public offices in certain categories. Furthermore, the Village should maintain an accounting system and accounting records sufficient to ensure the accountability over entity assets. In addition, the Village should have internal controls sufficient to assure that recorded transactions have occurred and are not fictitious.

The Village was unable to provide sufficient appropriate audit evidence supporting amounts recorded for Charges for Services for the Village's Swimming Pool Enterprise Fund. The Village had not implemented a method of periodic tracking of inventory of items sold in the concession stand. In addition, regarding daily admissions to the pool, there did not appear to be adequate source documentation with numerical control and there did not appear to be any segregation of duties between the collection of monies and actual admission to the pool.

As a result, completeness over swimming pool receipts reported could not be reasonably assured.

The Village should implement a process to monitor the concession stand sales of the Village's Swimming Pool and admissions collected. This could include implementing a system to track inventory of concession items on a periodic basis. In addition, the Village could establish segregation between the collections of admissions and admittance into the swimming pool.

Officials' Response: Recommendations noted. Council to take under advisement and determine as they see necessary.

FINDING NUMBER 2016-006

Material Weakness

A well-designed system of internal control will include monitoring of financial reports and information by the governing board in order to compensate for any lack of segregation of duties. The small size of the Village's staff did not allow for an adequate segregation of duties. The Fiscal Officer performed roles in all accounting functions, including receipting, depositing, disbursing, and reconciling. For utilities, the Utility Clerk was responsible for all functions, including billing, receipting, depositing, reconciling, and approval of adjustments. It is therefore important for the Village Council and Board of Public Affairs to monitor financial activity closely and to follow up on any audit findings.

The results of our audit indicated a weakness in management's role to establish and maintain effective internal controls and to ensure and document the Village is complying with legal requirements as evidenced by the material noncompliance citations and material weaknesses included in our report. The small size of the Village's staff did not allow for an adequate segregation of duties as the Fiscal Officer performed roles in all accounting functions, including receipting, depositing, disbursing, and reconciling Village monies. In addition, the Utility Clerk was responsible for all utility accounting functions, including billing, receipting, depositing, reconciling, and approval of adjustments.

Failure to adequately monitor the activities of the Village by Village Council and the Board of Public Affairs could result in errors or irregularities to occur and remain undetected.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-006 (Continued)

Material Weakness (Continued)

The Village Council and Board of Public Affairs should become more actively involved in monitoring the financial activity of the Village. Village Council should ensure that the Fiscal Officer performs a monthly bank reconciliation. Village Council should then review the validity of the computations and reconciling items and attest to the reconciliation's accuracy. Village Council should also ensure the Fiscal Officer maintains and presents to Council monthly with following records: receipts ledger, appropriations ledger, cash journal, budget vs. actual reports for receipts and disbursements, payroll journal and check register. Utility duties including the receipt of cash, depositing and posting activity to the billing system should be appropriately segregated and all adjustments to utility accounts should require approval. Supervisory reviews should be performed by members of Village Council and Board of Public Affairs and evidenced by the initials of each member performing the review and the date of the review was performed.

The presentation of these records and reviews by Village Council and Board of Public Affairs should be noted in the minutes. Council should make appropriate inquiries to help determine the continued integrity of financial information such as:

- Are current receipts sufficient to cover expenditures?
- Are actual receipts and expenditures in line with the budget?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations occur, is the reason documented, and properly budgeted for?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Village.

Officials' Response: The Village Fiscal Officer agrees with the recommendations and will assure that reports are presented to Council members more often. The responsibility of approving adjustments has already been removed from the water clerk and put into the hands of the BPA.

FINDING NUMBER 2016-007

Material Weakness

The Village should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

Budgeted receipts and appropriations recorded in the Village's accounting system did not agree to the Amended Official Certification of Estimated Resources certified by the Budget Commission and appropriation resolutions/amendments adopted by Village Council for the years ending December 31, 2016 and 2015. The Fiscal Officer presented financial reports to the Village Council for review and approval; however, budget versus actual information within these financial reports would be inaccurate in comparison to formally approved budgetary information. Without monitoring actual receipts and expenditures in relation to approved budget figures, the Council's ability to make informed financial decisions is reduced.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-007 (Continued)

Material Weakness (Continued)

Because the information entered into the accounting system was not accurate, adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present appropriations approved by the Village Council and to include budgeted receipts as certified by the County Budget Commission.

The Village Council should approve all appropriation amendments, record approval in the 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 Fiscal Officer should post these amendments only after obtaining required approvals. We also recommend the Village Fiscal Officer record estimated receipts from the Certificate of Estimated Resources and any amendments thereto to the accounting system. We further recommend that budget versus actual reports be presented to the Village Council for approval as part of the monthly financial reports. A periodic reconciliation should be performed between authorized budgetary documents and budgeted information posted to the accounting system to ensure the accuracy of the budgetary data.

Officials' Response: The Fiscal Officer agrees with recommended actions and will present additional reports to Council. As her tenure increases much of the findings seem to make more sense and her understanding is improving. Council should consider giving the Fiscal Officer more time for such matters as the position is currently at a maximum of 32 hours per week.

Village of Dresden
PO Box 539
Dresden, OH 43821-0539
(740)754-3151

David A. Mathew
 Mayor

Natalie Grable
 Fiscal Officer

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	<p>Material Weakness Posting Receipts, Disbursements and Classification of Fund Balances</p> <p>1) Mayor's Court activity was not properly recorded;</p> <p>2) Municipal income tax receipts collected through a service organization were recorded at net instead of gross of fees in 2013 and 2014;</p> <p>3) Real estate tax settlement was posted at net instead of gross of fees in the General Fund in 2013;</p> <p>4) Permissive motor vehicle license tax receipts were recorded in the Street Construction, Maintenance and Repair Fund instead of the Permissive Motor Vehicle License Tax Fund in 2013;</p> <p>5) Grave opening/closing receipts were recorded as Transfers-In instead of Charges for Services in the Cemetery Fund in 2013;</p>	<p>1) Fully Corrected</p> <p>2) Fully Corrected</p> <p>3) Fully Corrected</p> <p>4) Fully Corrected</p> <p>5) Fully Corrected</p>	<p>1) Mayor's Court activity has been corrected and Fiscal Officer is paying attention to how receipts are posted</p> <p>2) Municipal income tax receipts were recorded as gross, as required;</p> <p>3) Real estate tax receipts are now recorded as gross, as required.</p> <p>4) Permissive motor vehicle license tax receipts were put in permissive fund only</p> <p>5) Grave openings and closings are now recorded as such;</p>

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

Finding Number	Finding Summary	Status	Additional Information
	<p>6) Fire and EMS contracts were recorded as Transfers-In instead of Charges for Services in the Fire and Squad, Fire Operating, Ambulance Sinking and Fire Sinking Funds in 2013 and 2014;</p> <p>7) Vehicle Bonds were not booked properly in the Police Cruiser Fund in 2013;</p> <p>8) Cemetery fund balance was classified as Assigned instead of Restricted in 2013 and 2014;</p> <p>9) Fire Bond fund balance was classified as Assigned instead of Restricted in 2013 and 2014;</p> <p>10) Fire Station Bond fund balance was classified as Assigned instead of Restricted in 2013;</p> <p>11) Utility deposits were recorded as Miscellaneous instead of Charges for Services in the Water Operating Fund in 2013;</p> <p>12) Capitalized interest on OWDA loans was not recorded in the Water Operating and Water Capital Improvement Funds in 2013 and 2014;</p> <p>13) OWDA loan principal payment was recorded as Supplies and Materials instead of Principal Retirement in the Water Operating Fund in 2013;</p> <p>14) OPERS reimbursement was recorded as Transfers-In instead of Miscellaneous in the Water Operating and Sewer Operating Funds in 2013;</p>	<p>6) Fully Corrected</p> <p>7) Not Corrected</p> <p>8) Not Corrected</p> <p>9) Not Corrected</p> <p>10) Fully Corrected</p> <p>11) Fully Corrected</p> <p>12) Not Corrected</p> <p>13) Not Corrected</p> <p>14) Fully Corrected</p>	<p>6) Fire and squad contracts are receipted in with appropriate line items; no longer using the transfer in line hurriedly in order to get everything done in the short time allotted for the position</p> <p>7) Vehicle bonds balance was paid before the correction were made to book the bonds in the Police Cruiser Fund; Fiscal Officer to contact UAN to learn process of properly booking bonds.</p> <p>8) Cemetery will have a restricted fund, not an assigned;</p> <p>9) Fire bond will have a restricted fund assignment;</p> <p>10) Fire Station Bond will have a restricted assignment;</p> <p>11) Changes have been made to record utility deposits as charges for services instead of miscellaneous;</p> <p>12) This Fiscal Officer will get training on what Capitalized Interest is and how to record;</p> <p>13) Since paying off the first OWDA loan, this Fiscal Officer now understands to use her resources to know what Principal retirement is ;</p> <p>14-16) This fiscal officer now understands that if you do not know where to put an item that you can open a new line item instead of putting the revenue into a "transfer in" line;</p>

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

Finding Number	Finding Summary	Status	Additional Information
	<p>15) Workers' compensation refund was recorded as Transfers-In instead of Miscellaneous in the Swimming Pool Fund in 2013 and the Cemetery Fund in 2014;</p> <p>16) Portion of water and sewer billings were recorded as Transfers-In instead of Charges for Services in the Sewer Construction Fund in 2013 and 2014;</p> <p>17) Building Improvement Bonds were not booked properly in the General Fund in 2014;</p> <p>18) Homestead and rollback receipts recorded as Property and Other Taxes instead of Intergovernmental in the General and Fire Bond Funds in 2014;</p> <p>19) Health insurance payment was recorded as Transfers-Out instead of Security of Persons and Property in the Fire and Squad Fund in 2014;</p> <p>20) Fire Truck Bonds payment was recorded in the Fire and Squad Fund instead of the Fire Bond Fund in 2014;</p> <p>21) Ambulance Bonds were not booked properly in the Ambulance Sinking Fund in 2014;</p> <p>22) Swim Center Bonds were not booked properly in the Swimming Pool and Senior Center Funds in 2014;</p>	<p>15) Fully Corrected</p> <p>16) Fully Corrected</p> <p>17) Not Corrected</p> <p>18) Not Corrected</p> <p>19) Fully Corrected</p> <p>20) Fully Corrected</p> <p>21) Not Corrected</p> <p>22) Not Corrected</p>	<p>17) Fiscal Officer needs to call UAN to see what can be done to correct</p> <p>18) It is a learning experience to find out that Homestead goes into the Intergovernmental line, as she believed it was a refund due from the State after being filtered through the State instead of a credit given to certain homeowners.</p> <p>19) This Fiscal Officer does not understand why she recorded the payment in transfer-out other than there is much to do in a limited amount of time and she was in a hurry to finish all the work assigned to her!</p> <p>20) This is not a usual practice however if the Fire truck Bond does not have enough money to cover the loan the remainder will come from the Fire and Squad fund.</p> <p>21) Ambulance bond was paid off before fixed; Fiscal Officer will contact UAN to remedy</p> <p>22) Swim center bonds are still not properly booked and assistance from UAN and Local Government Services will be requested</p>

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

Finding Number	Finding Summary	Status	Additional Information
2014-002	<p>Material Weakness/Noncompliance Ohio Revised Code Section 5705.10(D), states all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a Special fund for such purpose.</p> <p>The Village recorded gasoline tax receipts totaling \$17,356 in 2014 and \$17,995 in 2013 in the General Fund instead of allocating them to the Street Construction, Maintenance and Repair and State Highway Funds.</p> <p>Accurate financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential To ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Council, to identify and correct errors and omissions.</p> <p>The accompanying financial statements, budgetary disclosures and the Village's accounting records were Adjusted to reflect these amounts in the proper funds.</p>	Not Corrected	<p>For 2016 and 2015 This Fiscal Officer has worked more diligently to record the receipts into the appropriate funds This Fiscal Officer would like it noted that after the receipts were made into the opposing funds that there were interfund transfers made from the general fund into the street fund that would have equaled the amount posted and that the third party auditing staff that performs audits for the State of Ohio recognizes this and makes note of the error in posting as should be.</p>

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

Finding Number	Finding Summary	Status	Additional Information
2014-003	<p>Material Weakness/Noncompliance Ohio Revised Code Section 5705.14 states, in part, no transfer shall be made from one fund of a Subdivision to any other fund, by order of the court or otherwise, except as outlined in the section. Section (I) states, in part, except in the case of transfer pursuant to division (E) of this section, transfers authorized by this section shall only be made by resolution of the taxing authority passed with the Affirmative vote of two-thirds of the members.</p> <p>In 2013, the Village transferred \$7,300 from the Water Capital Improvement Fund to the Water Operating Fund and \$15,309 from the Permissive Motor Vehicle License Tax to the Street Construction, Maintenance and Repair Fund. In 2014, the Village transferred \$300 from the Water Operating Fund to the General Fund and \$47,953 from the Permissive Motor Vehicle License Tax to the Street Construction, Maintenance and Repair Fund. The transfers were not properly approved and the financial statements In addition, the Village's system were adjusted to reverse the activity.</p>	Not Corrected	Council and this Fiscal Officer understand that the Interfund advances occurred and that the funds were paid back in an established period to ensure that the operations of the Village continued as needed.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

Finding Number	Finding Summary	Status	Additional Information
2014-004	<p>Significant Deficiency/Noncompliance 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.</p> <p>Actual disbursements exceeded appropriations in in the General, Street Construction, Maintenance and Repair, State Highway, Permissive Motor Vehicle License Tax, Street Lighting, Police Cruiser, Fire Bond, Fire Station Bond, Ambulance Sinking, Swimming Pool, Senior Center, Water Sinking Capital Improvement and Trinway Water Project Funds in the year ended December 31, 2014 and the General, Street Construction, Maintenance and Repair, State Highway, Street Lighting, Police Cruiser, Fire Bond, Fire Station Bond, Water Operating and Sewer Operating Funds in the year ended December 31, 2013.</p>	Not Corrected	<p>This Fiscal Officer has greater tenure in her position and understands this concept much better now. She is in the process of educating the Council of specific occasions that cause this occurrence. She also knows that presenting an updated balance to the Council will remedy this as well. The Fiscal Officer many times does not "incur" the obligations as noted by the auditor in the finding summary column but most often has to "fit" incurred expenses into a budget because of circumstances in which the Departments do not follow their budget.</p>

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

Finding Number	Finding Summary	Status	Additional Information
	<p>We recommend the Village Fiscal Officer modify appropriations with the Village Council 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.</p>		

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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
MARCH 13, 2018