

***VILLAGE OF DRESDEN
MUSKINGUM COUNTY***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Village of Dresden, Muskingum County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 25, 2008

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VILLAGE OF DRESDEN
MUSKINGUM COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2004 and 2003

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Dresden, Muskingum County (Village), as of and for the years ended December 31, 2004 & 2003, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as noted below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

During 2003 and 2004, the Village was unable to provide adequate documentation regarding the beginning and ending outstanding debt principal balances as well as principal payments made related to debt and encumbrance activity.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matters discussed in the preceding three paragraphs, the financial statements referred to above for the year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, except for the items noted in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Dresden, Muskingum County, as of December 31, 2004 & 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 30, 2008 on consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal controls over financial reporting or on the compliance, that the report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. The report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should be read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
April 30, 2008

VILLAGE OF DRESDEN
MUSKINGUM COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2004

	Governmental Fund Types				(Memorandum Only) Total
	General	Special Revenue	Debt Service	Capital Projects	
RECEIPTS:					
Property and Local Taxes	\$ 57,021	-	\$ 46,671	-	\$ 103,692
Municipal Income Tax	1,871	\$ 295,467	-	-	297,338
Intergovernmental	80,334	52,614	-	-	132,948
Special Assessment	-	19,772	-	-	19,772
Charges for Services	-	25,266	-	-	25,266
Fines, Licenses and Permits	14,944	-	-	-	14,944
Earnings on Investments	34,076	323	-	-	34,399
Miscellaneous	12,980	2,127	-	-	15,107
Total Cash Receipts	201,226	395,569	46,671	-	643,466
DISBURSEMENTS:					
Security of Persons and Property	223,840	16,644	-	\$ 40	240,524
Public Health Services	-	41,123	-	-	41,123
Leisure Time Activities	11,226	-	-	-	11,226
Transportation	-	116,884	-	-	116,884
General Government	111,542	20,350	853	-	132,745
Capital Outlay	5,861	-	-	-	5,861
Debt Service:					
Retirement of Principal	-	174,824	71,275	3,272	249,371
Interest and Fiscal Charges	-	-	43,351	523	43,874
Total Cash Disbursements	352,469	369,825	115,479	3,835	841,608
Cash Receipts Over/(Under) Cash Disbursements	(151,243)	25,744	(68,808)	(3,835)	(198,142)
Other Financing Sources (Uses):					
Proceeds of Note	-	86,152	-	-	86,152
Transfers In	116,725	149,947	50,909	2,871	320,452
Transfers Out	(18)	(274,246)	-	-	(274,264)
Advances In	45,031	26,887	12,100	-	84,018
Advances Out	-	(15,656)	(12,100)	-	(27,756)
Total Other Financing Sources (Uses)	161,738	(26,916)	50,909	2,871	188,602
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	10,495	(1,172)	(17,899)	(964)	(9,540)
Fund Cash Balance, January 1, 2004	31,545	13,125	25,903	1,026	71,599
Fund Cash Balance, December 31, 2004	\$ 42,040	\$ 11,953	\$ 8,004	\$ 62	\$ 62,059

See Accompanying Notes to the Financial Statements

VILLAGE OF DRESDEN
MUSKINGUM COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2004

	Proprietary	Fiduciary Fund Types		(Memorandum
	Fund Types	Non-Expendable	Agency	Only)
	Enterprise	Trust		Total
OPERATING CASH RECEIPTS:				
Charges for Services	\$ 619,069	-	-	\$ 619,069
Total Operating Cash Receipts	619,069	-	-	619,069
OPERATING CASH DISBURSEMENTS				
Personal Services	183,463	\$ 607	-	184,070
Employee Fringe Benefits	31,058	83	-	31,141
Contractual Services	72,647	-	-	72,647
Materials and Supplies	112,879	-	-	112,879
Capital Outlay	12,845	-	-	12,845
Other	125	-	-	125
Total Operating Cash Disbursements	413,017	690	-	413,707
Operating Income (Loss)	206,052	(690)	-	205,362
NON OPERATING CASH RECEIPTS (DISBURSEMENTS)				
Intergovernmental	2,370	-	-	2,370
Other Non Operating Receipts	4,870	-	7,984	12,854
Other Non Operating Disbursements	-	-	(7,984)	(7,984)
Earnings on Investments	-	229	-	229
Sale of Notes	74,643	-	-	74,643
Sale of Fixed Assets	3,650	-	-	3,650
Debt Service:				
Retirement of Principal	(161,834)	-	-	(161,834)
Interest and Fiscal Charges	(32,273)	-	-	(32,273)
Total Non Operating Cash Receipts (Disbursements)	(108,574)	229	-	(108,345)
Transfers-In	8,928	693	-	9,621
Transfers-Out	(55,809)	-	-	(55,809)
Advances-In	16,056	-	-	16,056
Advances-Out	(72,318)	-	-	(72,318)
Total Other Financing Souces/(Uses)	(103,143)	693	-	(102,450)
Excess or Cash receipts Over/(Under) Cash Disbursements	(5,665)	232	-	(5,433)
Fund Cash Balance, January 1, 2004	707,141	3,131	-	710,272
Fund Cash Balance, December 31, 2004	\$ 701,476	\$ 3,363	\$ -	\$ 704,839

See Accompanying Notes to the Financial Statements

VILLAGE OF DRESDEN
MUSKINGUM COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2003

	Governmental Fund Types				(Memorandum Only) Total
	General	Special Revenue	Debt Service	Capital Projects	
RECEIPTS:					
Property and Local Taxes	\$ 45,024	-	\$ 53,465	-	\$ 98,489
Municipal Income Tax	380	\$ 280,177	-	-	280,557
Intergovernmental	67,623	46,599	-	-	114,222
Special Assessment	-	588	-	-	588
Charges for Services	-	24,917	-	-	24,917
Fines, Licenses and Permits	13,239	-	-	-	13,239
Earnings on Investments	30,308	498	-	-	30,806
Miscellaneous	14,683	380	-	-	15,063
Total Cash Receipts	171,257	353,159	53,465	-	577,881
DISBURSEMENTS:					
Security of Persons and Property	214,576	18,810	-	\$ 1,974	235,360
Public Health Services	-	46,012	-	-	46,012
Leisure Time Activities	5,500	-	-	-	5,500
Community Environment	2,250	-	-	-	2,250
Transportation	-	180,316	-	1,747	182,063
General Government	96,684	17,437	778	-	114,899
Capital Outlay	30,608	-	-	-	30,608
Debt Service:					
Retirement of Principal	24,151	-	107,158	3,146	134,455
Interest and Fiscal Charges	7,332	-	34,193	650	42,175
Total Cash Disbursements	381,101	262,575	142,129	7,517	793,322
Cash Receipts Over/(Under) Cash Disbursements	(209,844)	90,584	(88,664)	(7,517)	(215,441)
Other Financing Sources (Uses):					
Transfers In	109,245	131,961	61,009	-	302,215
Transfers Out	(19,797)	(263,098)	-	-	(282,895)
Advances In	131,415	48,788	48,898	-	229,101
Advances Out	(3,077)	(1,200)	(48,898)	-	(53,175)
Total Other Financing Sources (Uses)	217,786	(83,549)	61,009	-	195,246
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	7,942	7,035	(27,655)	(7,517)	(20,195)
Fund Cash Balance, January 1, 2003, See Note 12	23,603	6,090	53,558	8,543	91,794
Fund Cash Balance, December 31, 2003	\$ 31,545	\$ 13,125	\$ 25,903	1,026	\$ 71,599

See Accompanying Notes to the Financial Statements

VILLAGE OF DRESDEN
MUSKINGUM COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2003

	Proprietary	Fiduciary Fund Types		(Memorandum
	Fund Types	Non-Expendable	Agency	Only)
	Enterprise	Trust		Total
OPERATING CASH RECEIPTS:				
Charges for Services	\$ 555,098	-	-	\$ 555,098
Total Operating Cash Receipts	555,098	-	-	555,098
OPERATING CASH DISBURSEMENTS				
Personal Services	259,515	\$ 600	-	260,115
Employee Fringe Benefits	38,308	122	-	38,430
Contractual Services	64,042	-	-	64,042
Materials and Supplies	127,792	-	-	127,792
Capital Outlay	78,346	-	-	78,346
Total Operating Cash Disbursements	568,003	722	-	568,725
Operating Income (Loss)	(12,905)	(722)	-	(13,627)
NON OPERATING CASH RECEIPTS (DISBURSEMENTS)				
Intergovernmental	65,533	-	-	65,533
Other Non Operating Receipts	667	-	\$ 10,760	11,427
Other Non Operating Disbursements	(1,260)	-	(10,760)	(12,020)
Earnings on Investments	-	131	-	131
Sale of Bonds	88,621	-	-	88,621
Sale of Fixed Assets	23,600	-	-	23,600
Debt Service:				
Retirement of Principal	(100,997)	-	-	(100,997)
Interest and Fiscal Charges	(29,428)	-	-	(29,428)
Total Non Operating Cash Receipts (Disbursements)	46,736	131	-	46,867
OTHER FINANCING SOURCES/(USES)				
Transfers-In	-	680	-	680
Transfers-Out	(23,000)	-	-	(23,000)
Advances-In	3,077	-	-	3,077
Advances-Out	(179,003)	-	-	(179,003)
Total Other Financing Sources/(Uses)	(198,926)	680	-	(198,246)
Excess of Cash Receipts & Other Financing Sources Over/(Under) Cash Disbursements & Other Financing Uses	(165,095)	89	-	(165,006)
Fund Cash Balance, January 1, 2003	872,236	3,042	-	875,278
Fund Cash Balance, December 31, 2003	\$ 707,141	\$ 3,131	\$ -	\$ 710,272

See Accompanying Notes to the Financial Statements

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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

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

B. BASIS OF ACCOUNTING

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

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

C. INVESTMENTS AND INACTIVE FUNDS

The Village maintains cash in an interest-bearing checking account. Also, the Village had a certificate of deposit and a U.S. Treasury bond.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains and losses at the time of the sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

VILLAGE OF DRESDEN
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** - (continued)

1. **General Fund**

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

2. **Special Revenue Funds**

To account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Village had the following significant Special Revenue Funds:

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

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

3. **Capital Projects Funds**

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

Sixth Street Phase II Fund – This fund accounts for Issue II and other grant monies used for the improvement to Sixth Street.

4. **Debt Service Funds**

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

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

General Obligation Bond Retirement Fund – This fund is used to pay the general obligation debt of the Village.

VILLAGE OF DRESDEN
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING - (continued)

5. Enterprise Funds

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

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

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

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

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

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

6. Fiduciary Funds

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

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

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control and appropriations may not exceed estimated resources. 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 balances as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are cancelled and reappropriated in the subsequent year. The Village did not encumber all commitments as required by law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

VILLAGE OF DRESDEN
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>	<u>2003</u>
Demand Deposits	\$ 580,995	\$ 595,969
Certificates of Deposit	182,903	182,902
Treasury Bond	3,000	3,000
Total	<u>\$ 766,898</u>	<u>\$ 781,871</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 is as follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$151,287	\$318,690	\$167,403
Special Revenue	443,000	631,668	188,668
Debt Service	44,626	97,580	52,954
Capital Projects	0	2,871	2,871
Enterprise	579,600	713,530	133,930
Nonexpendable Trust	0	922	922

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$349,875	\$352,487	(\$2,612)
Special Revenue	592,067	644,071	(52,004)
Debt Service	259,314	115,479	143,835
Capital Projects	0	3,835	(3,835)
Enterprise	453,706	662,933	(209,227)
Nonexpendable Trust	730	690	40

VILLAGE OF DRESDEN
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

3. BUDGETARY ACTIVITY (continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$137,078	\$283,583	\$146,505
Special Revenue	400,129	485,120	84,991
Debt Service	56,178	114,474	58,296
Capital Projects	0	0	0
Enterprise	452,600	733,519	280,919
Nonexpendable Trust	0	811	811

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$343,990	\$400,898	(\$56,908)
Special Revenue	527,060	525,673	1,387
Debt Service	172,921	142,129	30,792
Capital Projects	0	7,517	(7,517)
Enterprise	620,000	722,688	(102,688)
Nonexpendable Trust	725	722	3

4. PROPERTY TAXES

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

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

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

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

5. RETIREMENT SYSTEM

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

For OPERS, contribution rates are prescribed by the Ohio Revised Code. For 2004 & 2003, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries during the year. The Village has paid all contributions required through December 31, 2004 and 2003.

For OP&F, contribution rates are also prescribed by the Ohio Revised Code. For both years, OP&F members contributed 10% of their wages. The Village contributed an amount equal to 19.5% for police officers of participants' gross salaries during the years. The Village has paid all contributions required through December 31, 2004 and 2003.

6. 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 corporate limits as well as certain income of residents earned outside the Village corporate limits. The levied tax is used for general operations, maintenance of equipment, debt retirement, park and recreation and capital improvements.

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

7. DEBT

Debt outstanding at December 31, 2004, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority - 2235	\$ 324,203	5.00%
Ohio Water Development Authority - 3561	131,282	3.30%
General Obligation Bonds- Fire Station	61,800	3.89%
USDA General Obligation Bonds- Fire Station	491,300	4.75%
OPWC Loan- Sixth Street Phase I - CR807	716	4.00%
OPWC Loan- Sixth Street Phase II - CR008	9,895	4.00%
OPWC Loan- Water Storage Tank - CR25C	125,391	2.00%
OPWC Loan - Water Treatment Renovation - CR15E	14,305	2.00%
Fire Equipment Bonds	241,072	5.50%
Dump Truck Leases	75,651	4.36%
Ambulance Bond	59,081	3.18%
Total	<u>\$ 1,534,696</u>	

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

7. DEBT - (continued)

The Ohio Water Development Authority (OWDA) loan (2235) relates to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The total amount disbursed was \$885,370 in loans to the Village for this project. The loans will be repaid with the proceeds of sewer revenues in semiannual installments of \$34,075, including interest over 20 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan (3561) was a 10-year 3.30% loan issued in 2001. The principal amount of the issue was \$187,766. This loan was omitted from the previous audit report. The January 1, 2003 balance was \$151,784. The OWDA increased the loan in 2004 by \$12,843 for technical services provided prior to the inception of loan.

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

During 1998, the Village issued a bond for the construction of the fire station. The \$300,000 bond issue was purchased by Unizan Bank with an interest rate of 6%. \$61,000 was refinanced 2004 at 3.89%.

The Ohio Public Works Commission (OPWC) Sixth Street Loan – Phase I (CR807) was a 10-year 4% loan issued in 1996. The principal amount of the issue was \$6,033.

The Ohio Public Works Commission (OPWC) Sixth Street Loan Phase II (CR008) was a 10-year 4% loan issued in 1998. The principal amount of the issue was \$25,000.

The OPWC (Ohio Public Works Commission) Water Storage Tank Loan (CR25C) was issued during 1999. The loan will be repaid with the proceeds of water revenues in semiannual installments of \$4,724 including interest, over 20 years.

The Ohio Public Works Commission (OPWC) Water Treatment Renovation (CR15E) was a 20-year 2% loan issued in 2003. The Village makes semi-annual payment of \$464. The principal amount of the issue was \$15,250.

The Village issued bonds during 2000 in the amount of \$43,905 for the purchase of police vehicles and related equipment. The debt is backed by the full faith and credit of the Village and revenues used to retire this debt are derived from property taxes. Payments are to be made annually over three years.

The Village issued bonds during November 2000 in the amount of \$350,000 from Unizan Bank for the purchase of a new fire truck and related equipment. The debt is backed by the full faith and credit of the Village and revenues used to retire this debt are derived from a voted property tax levy. The interest is due semi-annually and principal is due annually.

The Village entered into a lease agreement on November 6, 2000 with Municipal Service Group, Inc. for the lease of three dump trucks with an interest rate of 5.85%. The lease agreement was refinanced in 2004 with an interest rate of 4.36%.

VILLAGE OF DRESDEN
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

7. DEBT - (continued)

The Village issued an Ambulance Bond, Series 2003 in the amount of \$88,621 from Unizan Bank for the purchase of an ambulance. The first payment was due on November 14, 2004. The final payment is due on November 14, 2006.

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

Year ending December 31:	OWDA 2235	OWDA 3561	USDA Loan	OPWC CR807
2005	\$34,075	\$22,198	\$48,837	\$369
2006	68,149	22,197	48,825	369
2007	68,148	22,197	48,857	0
2008	68,149	22,197	48,827	0
2009	68,149	22,197	48,836	0
2010-2014	68,149	44,394	244,255	0
2015-2019	0	0	195,361	0
Total	\$374,819	\$155,380	\$683,798	\$738

Year ending December 31:	OPWC CR008	Fire Equipment Bond	Dump Truck Lease	Ambulance Bond
2005	\$1,529	\$48,258	\$15,024	\$31,419
2006	4,587	48,258	15,024	31,419
2007	1,529	48,258	15,024	0
2008	0	48,258	15,024	0
2009	0	48,258	15,024	0
2010-2014	0	48,258	15,024	0
Total	\$7,645	\$289,548	\$90,144	\$62,838

Year ending December 31:	OPWC CR25C	OPWC CR15E	G.O. Fire Station Bonds
2005	\$9,448	\$929	\$14,573
2006	9,448	929	14,098
2007	9,448	929	13,624
2008	9,448	929	13,149
2009	9,448	929	12,675
2010-2014	47,240	4,645	0
2015-2019	47,240	4,645	0
2020-2024	9,448	3,716	0
Total	\$151,168	\$17,651	\$68,119

The debt balances stated above may not be accurate due to lack of documentation.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

8. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan, an unincorporated non-profit association over 600 government entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverage and reinsures these coverage's 100% rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

Financial Position – Ohio Government Risk Management Plan's financial statement (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003:

	2004	2003	
Assets	\$ 6,685,522	\$ 5,402,167	
Liabilities	(2,227,808)	(1,871,123)	
Retained Earnings	\$ 4,457,714	\$ 3,531,044	

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

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been significant reductions in insurance coverage from last year.

9. LEGAL COMPLIANCE

Contrary to Ohio Revised Code Section 5705.41 (D), certain expenditures were not certified prior to a commitment or obligation being incurred.

Contrary to Ohio Revised Code Section 5705.41 (B), certain expenditures exceed appropriations.

Contrary to Ohio Revised Code Section 5705.14, 5705.15 & 5705.16 some transfers were not approved by Village Council.

Contrary to Ohio Revised Code Section 5705.40 some amendments or supplemental appropriations were not approved in the same manner used in making the original appropriations.

Contrary to Ohio Revised Code Section 5705.39, appropriations exceeded estimated resources.

Contrary to Ohio Revised Code Section 5705.38, an appropriation measure was not passed on or about the first day of each fiscal year.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

9. LEGAL COMPLIANCE (continued)

Contrary to Ohio Revised Code Section 5705.36, the Village failed to amend their amended certificate of estimated resources.

10. FUND TRANSFERS

In 2004, the Village transferred funds from the General Fund to the Income Tax Fund in the amount of \$18 for normal operations.

Also, the Village made a transfer from the Enterprise Fire and Squad Fund to the Enterprise Fire Sinking Fund and Enterprise Ambulance Sinking Fund in the amounts of \$48,016 and \$4,025, respectively, for payment of debt.

The Village made a transfer in the amount of \$3,768 from the Enterprise Water Sinking Capital Improvement Fund to the Enterprise Water Sinking Capital Improvement Tank Fund.

In 2003, the General Fund transferred funds from the General Fund to the Special Revenue Street Construction, Maintenance & Repair Fund, Special Revenue Cemetery Fund, Special Revenue Street Lighting Fund, Special Revenue Income Tax Fund and Cemetery Trust Fund in the amounts of \$11,989, \$2,919, \$3,800, \$991 and \$98, respectively, for normal operations.

The Village transferred \$20,000 from the Enterprise Fire & Squad Fund to the Debt Service Fire Station Bond Fund for payment of debt,

In both years, the Village transferred funds from the Income Tax Fund to various funds per Village Ordinance 86-04. The Village ordinance is not specific relating to amounts and/or percentages of income tax to be transferred.

11. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

An Ohio Water Development Authority (OWDA) loan (4719) was issued for 5-years at 4.67%. The principal amount of the issue was \$91,180.

Management believes there are no material pending claims or lawsuits.

12. RESTATEMENT OF FUND BALANCES

	<u>General Fund</u>	<u>Debt Service Funds</u>
Fund Balance at December 31, 2003	\$ 4,347	\$ 72,814
Restatement	<u>19,256</u>	<u>(19,256)</u>
Restated Balance at January 1, 2004	<u>\$ 23,603</u>	<u>\$ 53,558</u>

The Village made the above adjustments due to debt payment being paid out of the incorrect fund in prior years.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the financial statements of the Village of Dresden, Muskingum County, Ohio (Village) as of and for the years ended December 31, 2004 & 2003, and have issued our report thereon dated April 30, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. Also, we qualified the debt activity and encumbrance activity. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design and operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2004-VDMC-01, 2004-VDMC-06 and 2004-VDMC-09 and 2004-VDMC-11.

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

We also noted other matters involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated April 30, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2004-VDMC-02 through 2004-VDMC-08. We also noted certain additional matters that we have reported to management in a separate letter dated April 30, 2008.

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

Charles E. Harris & Associates, Inc.
April 30, 2008

VILLAGE OF DRESDEN
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
December 31, 2004 and 2003

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

FINDING NUMBER 2005-VDMC-01 – Material Weakness

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records. This process involves reconciling the bank balance to the cash and investment balance. For January 1, 2003 through December 31, 2004, the Village did not resolve various differences between the adjusted bank balance and the balance reflected within the Village's accounting records. The annual reports for these years were filed with the Auditor of State with these unresolved differences.

Without complete and accurate monthly bank reconciliations, the Village's internal control is weakened, which could hinder the detection of errors or irregularities by the Village's management in a timely manner.

The Village should perform and complete monthly bank reconciliations in a timely manner. Also, a copy of each monthly bank reconciliation and the listing of outstanding checks should be filed in the bank activity folder along with the bank statements and supporting documents for the applicable month, and the Village Council should sign and date the bank reconciliations to indicate that they have been reviewed and approved.

Although, the Village reconciled their bank accounts, they frequently had unadjusted differences caused by unposted items.

FINDING NUMBER 2005-VDMC-02 – Non-compliance Citation

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

1. "Then and Now Certificates" – If the fiscal officer can certify that both at the time that contract or order was made ("then") and at the time that the fiscal officer was completing the certification ("now"), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

VILLAGE OF DRESDEN
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
December 31, 2004 and 2003

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

FINDING NUMBER 2005-VDMC-02 – Non-compliance Citation – (continued)

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificates - Fiscal officers may prepare “blanket” certificates for a certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

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

The Village did not make the proper certification of funds in 20 of 60 tested transactions during 2004 or 2003.

To improve controls over disbursements and to help reduce the possibility of the Village’s fund exceeding budgetary spending limitations, we recommend the Clerk-Treasurer certify the availability of funds prior to the commitment for the expenditure of Village money. The Village should consider the use of blanket purchase orders and “then and now” certificates to assist in complying with the above requirement.

FINDING NUMBER 2005-VDMC-03 – Non-compliance Citation

Ohio Rev. Code Section 5705.38 requires the Village pass an appropriation measure on or about the first day of each fiscal year. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

In both years, the Village did not pass their permanent appropriations measure until December.

We recommend that the Village pass their appropriations amendment prior to April 1st.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2004 and 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)
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FINDING NUMBER 2005-VDMC-04 – Non-compliance Citation

Ohio Rev. Code Section 5705.14, 5705.15, and 5705.16 states that no transfer can be made from one fund of a subdivision to any other fund, except money may be transferred from the general fund to any fund of the subdivision by resolution of the taxing authority or from one fund to another as is specifically authorized in Ohio Rev. Code Section 5705.14. The Village made numerous transfers in both years without the approval of Village Council.

Also, though no statutory provision directly addresses inter-fund advances, Auditor of State Bulletin 97-003 sets forth the requirements for inter-fund advances and provides additional guidance for recording such transactions.

Transfers and advances must be specifically approved by a formal resolution of the taxing authority of the subdivision. The resolution must include:

- A specific statement that the transaction is either a transfer or an advance cash, and
- The specific funds providing and receiving, and the amounts of the transfer or advance

If an advance, an indication of the money (fund) from which it is expected that the advance repayment will be made.

The Village Council did not approve any transfers or advances during the audit period.

We recommend the Village refer to the Ohio Revised Code Section 5705.14, 5705.15, and 5705.16 prior to making transfers and advances and make them accordingly.

FINDING NUMBER 2005-VDMC-05 – Non-compliance Citation

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

During 2004, the following funds had expenditures in excess of appropriations:

Fund	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$349,875	\$352,487	(\$2,612)
SCM&R Fund	183,590	288,250	(104,660)
State Highway Improvement Fund	2,909	3,459	(550)
State Grant Fund	-	3,836	(3,836)
Fire and Squad Fund	87,480	179,273	(91,793)
Fire Bond Fund	42,381	48,245	(5,864)
Ambulance Sinking Fund	-	32,358	(32,358)
Water Sinking Capital Improvement Fund	-	3,768	(3,768)
Swimming Pool Fund	-	85,866	(85,866)
Water Sinking Capital Improvement- Tank Fund	-	32,587	(32,587)

VILLAGE OF DRESDEN
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
December 31, 2004 and 2003

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

FINDING NUMBER 2005-VDMC-05 – Non-compliance Citation – (continued)

During 2003, the following funds had expenditures in excess of appropriations:

Fund	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$343,990	\$400,898	(\$56,908)
State Grants Fund	-	7,517	(7,517)
Street Lighting Fund	17,000	18,814	(1,814)
Fire Bond Fund	31,446	32,222	(776)
Fire and Squad Fund	179,800	286,791	(106,991)
Waste Water Sanitary Sewer Fund	140,200	140,386	(186)

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

FINDING NUMBER 2005-VDMC-06 Noncompliance Citation and Material Weakness

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

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

VILLAGE OF DRESDEN
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
December 31, 2004 and 2003

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

FINDING NUMBER 2005-VDMC-06 Noncompliance Citation and Material Weakness- (continued)

For the year ended December 31, 2003:

Fund	Fund Description	Appropriations as posted to the Books	Appropriations filed with the County Auditor	Variance
1000-110-211	Salaries/Wages	\$130,965	\$132,000	\$1,035
1000-110-212	Employee Benefits	58,336	51,000	(7,336)
1000-110-230	Contractual Services	14,966	-	(14,966)
1000-110-240	Supplies & Materials	17,620	32,000	14,380
1000-310-230	Contractual Services	-	5,500	5,500
1000-320-240	Supplies & Materials	5,000	1,050	(3,950)
1000-320-250	Capital Outlay	5,000	-	(5,000)
1000-410-230	Contractual Services	-	23,000	23,000
1000-490-230	Contractual Services	2,250	-	(2,250)
1000-710-230	Contractual Services	1,865	-	(1,865)
1000-710-240	Supplies & Materials	640	2,200	1,560
1000-720-230	Contractual Services	5,766	-	(5,766)
1000-720-240	Supplies & Materials	-	1,500	1,500
1000-725-212	Employee Benefits	12,277	9,400	(2,877)
1000-725-230	Contractual Services	21,300	18,500	(2,800)
1000-725-240	Supplies & Materials	2,350	5,750	3,400
1000-730-230	Contractual Services	10,202	-	(10,202)
1000-730-240	Supplies & Materials	6,900	22,800	15,900
1000-740-230	Contractual Services	1,159	-	(1,159)
1000-750-211	Salaries/Wages	8,003	-	(8,003)
1000-750-212	Employee Benefits	1,649	-	(1,649)
1000-750-230	Contractual Services	2,000	-	(2,000)
1000-800-230	Contractual Services	22,950	-	(22,950)
1000-800-250	Capital Outlay	6,530	-	(6,530)
1000-800-270	Debt Services	31,483	-	(31,483)
1000-910-910	Transfer Out	19,798	-	(19,798)

VILLAGE OF DRESDEN
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
December 31, 2004 and 2003

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

FINDING NUMBER 2005-VDMC-06 Noncompliance Citation and Material Weakness– (continued)

Fund	Fund Description	Appropriations posted to the Books	Appropriations filed with the County Auditor	Variance
1000-750-230	Contractual Services	\$2,000	-	(\$2,000)
1000-800-230	Contractual Services	22,950	-	(22,950)
1000-800-250	Capital Outlay	6,530	-	(6,530)
1000-800-610	Deposited Refunded	706	-	(706)
1000-800-260	Debt Services	31,483	-	(31,483)
1000-910-910	Transfer Out	19,798	-	(19,798)
2011-610-211	Salaries/Wages	79,734	\$80,000	266
2011-610-212	Employee Benefits	46,553	50,000	3,447
2011-610-230	Contractual Services	9,917	-	(9,917)
2021-610-240	Supplies & Materials	500	1,600	1,100
2031-240-212	Employee Benefits	17,887	16,000	(1,887)
2031-240-230	Contractual Services	1,273	-	(1,273)
2031-240-240	Supplies & Materials	3,100	8,000	4,900
2061-130-230	Contractual Services	2,200	-	(2,200)
2061-620-211	Salaries/Wages	1,580	-	(1,580)
2061-850-260	Debt Services	3,796	-	(3,796)
2401-130-230	Contractual Services	18,810	-	(18,810)
2401-130-240	Supplies & Materials	-	17,000	17,000
2901-120-230	Contractual Services	155,340	-	(155,340)
2901-120-240	Supplies & Materials	44,700	172,000	127,300
2901-120-250	Capital Outlay	81,298	-	(81,298)
2901-910-910	Transfer Out	29,602	-	(29,602)
3102-850-260	Debt Services	158,804	110,000	(48,804)
3205-850-260	Debt Services	30,140	-	(30,140)
3205-990-270	Debt Services	1,260	-	(1,260)
5101-531-212	Employee Benefits	18,453	15,000	(3,453)
5101-531-230	Contractual Services	27,738	-	(27,738)
5101-531-240	Supplies & Materials	64,594	99,000	34,406
5201-541-212	Employee Benefits	19,876	15,000	(4,876)
5201-541-230	Contractual Services	21,492	9,200	(12,292)
5201-541-240	Supplies & Materials	64,525	81,000	16,475
5721-539-230	Contractual Services	25,303	-	(25,303)
5721-850-260	Debt Services	32,136	48,350	16,214

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2004 and 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)
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FINDING NUMBER 2005-VDMC-06 Noncompliance Citation and Material Weakness– (continued)

For the year ending December 31, 2004:

Fund	Fund Description	Appropriation Posted to the Books	Appropriation filed with the County Auditor	Variance
1000-110-211	Salaries/Wages	\$142,403	\$134,894	(\$7,509)
1000-110-212	Employee Benefits	50,828	49,700	(1,128)
1000-110-230	Contractual Services	31,421	-	(31,421)
1000-110-240	Supplies & Materials	18,130	34,329	16,199
1000-310-230	Contractual Services	-	14,500	14,500
1000-310-610	Contribution to Other Organization	2,000	-	(2,000)
1000-320-240	Supplies & Materials	-	1,050	1,050
1000-320-250	Capital Outlay	11,400	-	(11,400)
1000-410-240	Supplies & Materials	-	23,000	23,000
1000-710-211	Salaries/Wages	9,444	6,923	(2,521)
1000-710-230	Contractual Services	2,100	-	(2,100)
1000-710-240	Supplies & Materials	510	2,450	1,940
1000-715-211	Salaries/Wages	12,300	9,800	(2,500)
1000-720-230	Contractual Services	1,250	5,000	3,750
1000-720-240	Supplies & Materials	300	350	50
1000-725-211	Salaries/Wages	22,122	21,218	(904)
1000-725-212	Employee Benefits	13,133	9,720	(3,413)
1000-725-230	Contractual Services	8,491	-	(8,491)
1000-725-240	Supplies & Materials	3,200	6,384	3,184
1000-730-230	Contractual Services	9,702	-	(9,702)
1000-730-240	Supplies & Materials	10,900	15,819	4,919
1000-740-230	Contractual Services	2,020	3,100	1,080
1000-750-211	Salaries/Wages	3,794	8,615	4,821
1000-750-212	Employee Benefits	1,530	-	(1,530)
1000-750-230	Contractual Services	11,832	-	(11,832)
1000-800-230	Contractual Services	9,614	-	(9,614)
100-800-250	Capital Outlay	1,955	-	(1,955)
1000-850-260	Debt Services	16,692	-	(16,692)

VILLAGE OF DRESDEN
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
December 31, 2004 and 2003

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

FINDING NUMBER 2005-VDMC-06 Noncompliance Citation and Material Weakness- (continued)

As well as the above listed variances, a scan of the appropriation resolution and UAN system disclosed other variances.

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

FINDING NUMBER 2005-VDMC-07 Noncompliance Citation

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

For the year ending December 31, 2003, the following funds had appropriations in excess of estimated resources:

Fund	Estimated Resources	Appropriations	Variance
General Fund	\$48,640	\$343,990	(\$295,350)
SCM&R Fund	33,034	180,000	(146,966)
Cemetery Fund	16,329	50,000	(33,671)
Street Lighting Fund	1,019	17,000	(15,981)
Fire & Squad	114,779	179,800	(65,021)
Fire Station Bond Fund	-	110,000	(110,000)
General Obligation Bond Retirement Fund	15,550	31,475	(15,925)
Fire Sinking Fund	24,923	34,500	(9,577)
Sewer Construction Fund	49,223	68,150	(18,927)

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2004 and 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)
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FINDING NUMBER 2005-VDMC-07 Noncompliance Citation (continued)

During the year ended December 31, 2004, the following funds had appropriations in excess of estimated resources:

Fund	Estimated Resources	Appropriations	Variance
General Fund	\$47,580	\$349,875	(\$302,295)
SCM&R Fund	4,090	183,590	(179,500)
Cemetery Fund	21,801	46,188	(24,387)
Street Lighting Fund	11,906	17,525	(5,619)
Fire Station Bond	-	109,817	(109,817)
General Obligation Bond Retirement Fund	15,550	107,116	(91,566)

The estimated resources above include unencumbered balances at the beginning of each year, not the total cash balances.

Prior to Council authorizing original appropriations or approving any amendments, we recommend Council compare proposed appropriations with the Certificate of Estimated Resources and any amendments thereto, to ensure appropriations will not exceed estimated resources. As indicated in the finding number 2004-006 above, appropriations should not be posted to the Village's book until the County Auditor has certified that they do not exceed estimated resources.

FINDING NUMBER 2005-VDMC-08 Noncompliance Citation

Ohio Revised Code 5705.36 (A)(2) allows all political subdivision to request increased amended certificates of estimated resources and reduced amended certificate upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code 5705.36 (A)(3) requires an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Ohio Revised Code 5705.36 (A)(4) requires a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

Actual receipts were significantly less than estimated receipts in the Income Tax Fund (\$66,909) for 2004.

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2004 and 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)
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FINDING NUMBER 2005-VDMC-09 Material Weakness

Based on debt testing performed, we noted that it was difficult to trace new debt issues and debt payments made, as well as beginning and ending balances to the Village's records. The Village should maintain accurate records of principal and interest paid and new debt issues, as well as the beginning and ending balances. Accurate debt records allow the Village to better track their debt balances.

We recommend that the Village keep an accurate record of the following: beginning balances, new debt issues, principal payments and ending balances. This will allow the Village to keep an accurate record of debt activity posted in the financial statements, as well as all debt outstanding at any given time.

FINDING NUMBER 2005-VDMC-10 Material Weakness

During 2004 & 2003, the Village Clerk-Treasurer did not accurately post all budgeted receipts to the accounting system. Variances existed between the amounts on the certificates of estimated resources and the amounts posted to the accounting system as follows:

For the year ended December 31, 2004:

Fund	Budgeted Receipts Per UAN System	Budgeted Receipts Per Final Certificate of Estimated Resources	Variance
General Fund	\$306,680	\$151,287	(\$155,393)
SCM&R Fund	183,600	40,500	(143,100)
Cemetery Fund	46,200	23,000	(23,200)
Street Lighting Fund	11,906	16,000	4,094
Fire & Squad Fund	176,300	143,600	(32,700)
Fire Bond	41,900	44,626	2,726
Fire Station Bond	61,025	0	(61,025)
Ambulance Sinking Fund	8,500	7,000	(1,500)

VILLAGE OF DRESDEN
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
December 31, 2004 and 2003

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

FINDING NUMBER 2005-VDMC-10 Material Weakness (continued)

For the year ended December 31, 2003:

Fund	Budgeted Receipts	Budgeted Receipts	Variance
	Per UAN System	Per Final Certificate of Estimated Resources	
General Fund	\$162,770	\$137,078	(\$25,692)
SCM&R Fund	43,000	43,030	30
Cemetery Fund	18,000	16,000	(2,000)
Fire Bond	41,900	40,628	(1,272)
Fire Station Bond	61,009	0	(61,009)
General Obligation Bond			
Retirement Fund	0	15,500	15,500
Fire Sinking Fund	1,000	0	(1,000)
Sewer Construction Fund	59,000	0	(59,000)
Water Operating Fund	152,700	165,000	12,300
Sewer Operating	147,700	152,000	4,300

FINDING NUMBER 2005-VDMC-11 Material Weakness

During our testing of encumbrances, we noted that the Village did not report the proper balances of encumbrances in the financial statements, nor could they substantiate the balances that were reported to the county auditor in the certificate of estimated resources.

We recommend the Village properly track all encumbrances for budgeting purposes. Also, this will ensure that management reports to Council the proper budgetary information for comparative purposes.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2004 and 2003**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2002-001	Ohio Revised Code Section 5705.41 (D) – The Village failed certify funds.	No	Repeated as 2004-VDMC-02
2002-002	Ohio Revised Code Section 5705.41 (B)- Expenditures exceeded Appropriations	No	Repeated as 2004-VDMC-05
2002-003	Ohio Revised Code Section 5705.40 - Supplemental appropriations measures complied with the same provision as those in the original appropriations	No	Repeated as 2004-VDMC-06
2002-004	Ohio Revised Code Section 5705.39 – Appropriations exceed total estimated resources	No	Repeated as 2004-VDMC-07
2002-005	Ohio Revised Code Section 5705.36 – The Village failed to revise Certificates of Estimated Resources	No	Repeated as 2004-VDMC-08
2002-006	Ohio Revised Code Section 5705.10- Improper Advances	No	Repeated as 2004-VDMC-04
2002-007	Ohio Revised Code Section 5705.10 – The Village had negative fund balances	Yes	No Longer Valid
2002-008	Dresden Ordinance 00-29- The Village was required to pay debt payments on time and establish a separate fund.	Yes	No Longer Valid

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2004 and 2003**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2002-009	The Village failed to make interest payments on time	Yes	No Longer Valid
2002-010	The Village did not post budgeted receipts	No	Repeated as 2004-VDMC-10
2002-011	Lack of supporting documentation for payment of bills	Yes	No Longer Valid



Mary Taylor, CPA
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
SEPTEMBER 4, 2008**