



Dave Yost • Auditor of State



VILLAGE OF DENNISON  
TUSCARAWAS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012 .....	4
Notes to the Financial Statements .....	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings .....	15
Schedule of Prior Audit Findings.....	18

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Dennison  
Tuscarawas County  
302 Grant Street  
P.O. Box 147  
Dennison, Ohio 44621

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Dennison, Tuscarawas County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012.

### ***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 Section 117.38 and Ohio Administrative Code Section 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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

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

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Dennison, Tuscarawas County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2014, 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

June 25, 2014

**VILLAGE OF DENNISON  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$137,610	\$13,116		\$150,726
Municipal Income Tax	710,096			710,096
Intergovernmental	114,549	156,575	\$82,853	353,977
Special Assessments		42,275		42,275
Charges for Services		1,468		1,468
Fines, Licenses and Permits	10,670			10,670
Earnings on Investments	959	131		1,090
Miscellaneous	28,489	2,255	8,000	38,744
<i>Total Cash Receipts</i>	<u>1,002,373</u>	<u>215,820</u>	<u>90,853</u>	<u>1,309,046</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	585,680	5,904		591,584
Public Health Services	105	42,275		42,380
Leisure Time Activities	134,075	4,013		138,088
Community Environment	16,445			16,445
Basic Utility Services	23,701			23,701
Transportation		124,936		124,936
General Government	199,730	10,933		210,663
Capital Outlay	110,113	9,851	42,853	162,817
Debt Service:				
Principal Retirement	20,550			20,550
Interest and Fiscal Charges	3,092			3,092
<i>Total Cash Disbursements</i>	<u>1,093,491</u>	<u>197,912</u>	<u>42,853</u>	<u>1,334,256</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(91,118)</u>	<u>17,908</u>	<u>48,000</u>	<u>(25,210)</u>
<b>Other Financing Receipts</b>				
Other Financing Sources		674		674
<i>Total Other Financing Receipts</i>	<u>0</u>	<u>674</u>	<u>0</u>	<u>674</u>
<i>Net Change in Fund Cash Balances</i>	<u>(91,118)</u>	<u>18,582</u>	<u>48,000</u>	<u>(24,536)</u>
<i>Fund Cash Balances, January 1</i>	<u>427,254</u>	<u>261,770</u>	<u>21</u>	<u>689,045</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		280,351		280,351
Assigned	194,254			194,254
Unassigned	141,882	1	48,021	189,904
<i>Fund Cash Balances, December 31</i>	<u>\$336,136</u>	<u>\$280,352</u>	<u>\$48,021</u>	<u>\$664,509</u>

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

**VILLAGE OF DENNISON  
TUSCARAWAS COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$117,880	\$13,542		\$131,422
Municipal Income Tax	610,744			610,744
Intergovernmental	86,019	134,160	\$436,886	657,065
Special Assessments		42,859		42,859
Charges for Services	24,742	3,952		28,694
Fines, Licenses and Permits	10,918			10,918
Earnings on Investments	1,018	126		1,144
Miscellaneous	14,672	19	26,500	41,191
<i>Total Cash Receipts</i>	<u>865,993</u>	<u>194,658</u>	<u>463,386</u>	<u>1,524,037</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	588,648	5,934		594,582
Public Health Services		42,907		42,907
Leisure Time Activities	52,120	5,677		57,797
Community Environment	13,847			13,847
Basic Utility Services	22,301			22,301
Transportation		191,643		191,643
General Government	238,679			238,679
Capital Outlay		4,463	463,386	467,849
Debt Service:				
Principal Retirement	191,295			191,295
Interest and Fiscal Charges	8,680			8,680
<i>Total Cash Disbursements</i>	<u>1,115,570</u>	<u>250,624</u>	<u>463,386</u>	<u>1,829,580</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(249,577)</u>	<u>(55,966)</u>	<u>0</u>	<u>(305,543)</u>
<b>Other Financing Receipts</b>				
Other Debt Proceeds	21,877	70,670		92,547
Sale of Capital Assets	285,672			285,672
Other Financing Sources		471		471
<i>Total Other Financing Receipts</i>	<u>307,549</u>	<u>71,141</u>	<u>0</u>	<u>378,690</u>
<i>Net Change in Fund Cash Balances</i>	57,972	15,175	0	73,147
<i>Fund Cash Balances, January 1</i>	<u>369,282</u>	<u>246,595</u>	<u>21</u>	<u>615,898</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		261,770	21	261,791
Unassigned	427,254			427,254
<i>Fund Cash Balances, December 31</i>	<u>\$427,254</u>	<u>\$261,770</u>	<u>\$21</u>	<u>\$689,045</u>

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

**VILLAGE OF DENNISON  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**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 Dennison, Tuscarawas 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 park operations (leisure time activities), and police and fire services.

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

- Twin City Water and Sewer District
- Uhrichsville-Dennison-Mill Union Cemetery
- Community Improvement Corporation of Tuscarawas County

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits**

All deposits are held in checking and savings accounts and a certificate of deposit.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF DENNISON  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**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 had the following significant Special Revenue Fund:

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

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Panhandle Passage Project Fund – This fund accounts for grant monies and donations received for the construction of the panhandle passage project.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

VILLAGE OF DENNISON  
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

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

1. **Nonspendable**

The Township 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**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend 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 Township Trustees or a Township 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 (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.

**VILLAGE OF DENNISON  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**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 and Investments**

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

	2013	2012
Demand deposits	\$556,407	\$581,132
Certificate of Deposit	108,102	107,913
Total	\$664,509	\$689,045

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and December 31, 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,053,751	\$1,002,373	(\$51,378)
Special Revenue	207,177	216,494	9,317
Capital Projects	68,100	90,853	22,753
Total	\$1,329,028	\$1,309,720	(\$19,308)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$892,944	\$1,093,491	(\$200,547)
Special Revenue	231,928	208,501	23,427
Capital Projects	181,717	42,853	138,864
Total	\$1,306,589	\$1,344,845	(\$38,256)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,180,316	\$1,173,542	(\$6,774)
Special Revenue	252,242	265,799	13,557
Capital Projects	26,500	463,386	436,886
Total	\$1,459,058	\$1,902,727	\$443,669

**VILLAGE OF DENNISON  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Budgetary Activity (Continued)**

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$881,623	\$1,115,570	(\$233,947)
Special Revenue	178,724	250,624	(71,900)
Capital Projects	2,500	463,386	(460,886)
Total	\$1,062,847	\$1,829,580	(\$766,733)

Contrary to Ohio Rev. Code § 5705.41(B), expenditures exceeded appropriations in various funds.

Contrary to Ohio Rev. Code § 5705.14(B), the Village transferred \$48,000 from the Capital Projects Fund to the General Fund without approval from the Tuscarawas County Court of Common Pleas.

**4. Property Tax**

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 pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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 2 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.

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, 2013 was as follows:

	Principal	Interest Rate
First National Bank of Dennison - Bank Loan for Police Cruiser	\$14,585	3.25%
First National Bank of Dennison - Bank Loan for Backhoe	55,241	3.3%
Total	\$69,826	

The bank loan for the police cruiser was issued on June 1, 2012 for \$21,877. The loan has an interest rate of 3.25% and payments are to be made annually. The final payment will be made on June 1, 2015.

**VILLAGE OF DENNISON  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. Debt (Continued)**

The bank loan for the backhoe was issued on September 17, 2012 for \$70,870. The loan has an interest rate of 3.30% and payments are to be made annually. The final payment will be made on September 17, 2017.

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

Year ending December 31:	First National Bank - Police Cruiser Loan	First National Bank - Backhoe Loan
2014	\$7,773	\$15,628
2015	7,533	15,628
2016		15,628
2017		15,628
Total	<u>\$15,306</u>	<u>\$62,512</u>

**7. Retirement Systems**

The Village's full-time Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OP&F participants contributed 10% of their wages. As of July 1, 2013, OP&F participants began to contribute 10.75%. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013 and 2012, 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, 2013.

**8. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- General Liability;
- Public Official's Liability; and
- Law Enforcement Liability.

**VILLAGE OF DENNISON  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**9. Jointly Governed Organizations**

**A. Twin City Water and Sewer District (District)**

The District is a jointly governed organization under Ohio Rev. Code § 6119.01, and is established to supply water to and to provide for the collection, treatment and disposal of waste water within the Uhrichsville-Dennison District, or beyond with additional fees. During 2013, \$15,425 was paid to the District by the Village.

**B. Uhrichsville-Dennison-Mill Union Cemetery (Cemetery)**

The Cemetery is a jointly governed organization under Ohio Rev. Code § 759.27, and is directed by an appointed three-member board. Uhrichsville, Dennison and Union Mill Township each appoint one member to the board. The Cemetery provides burial services, operations and maintenance of the cemetery. During 2013, no monies were paid to the Cemetery by the Village.

**C. Community Improvement Corporation of Tuscarawas County (Corporation)**

The Corporation is operated by Tuscarawas County, New Philadelphia, Dover, Uhrichsville, Dennison, Strasburg, Sugarcreek and Gnadenhutten. It is controlled by 25 trustees consisting of the three County Commissioners, the mayor of each participating Village and 15 self-elected trustees. The board exercises total control over the operations of the Corporation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the board. During 2013, no monies were paid to the Corporation by the Village.

**10. Contingent Liabilities**

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. 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.

**This page intentionally left blank.**



# 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 Dennison  
Tuscarawas County  
302 Grant Street  
P.O. Box 147  
Dennison, Ohio 44621

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 governmental activities of the Village of Dennison, Tuscarawas County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 25, 2014.

### ***Internal Control Over Financial Reporting***

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider Findings 2013-001 and 2013-003 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2013-002 described in the accompanying Schedule of Findings to be a significant deficiency.

***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 2013-003 and 2013-004.

***Entity'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 communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 25, 2014

**VILLAGE OF DENNISON  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**Finding Number 2013-001**

**Material Weakness - Financial Reporting**

Errors noted in the Village's financial statements that required audit adjustments or reclassifications were as follows:

- The Village obtained a federal grant for the Train Depot project through the Ohio Department of Transportation. The federal grant was paid directly to contractors by the Ohio Department of Transportation on behalf of the Village. However, the federal grant was not recorded on the Village's records as an intergovernmental receipt and subsequent capital outlay expenditure. As a result, intergovernmental receipts and capital outlay expenditures were understated on the financial statements in 2012 and 2013 by \$4,286 and \$436,885, respectively.
- The Village obtained a loan for a backhoe totaling \$70,670. Loan proceeds were misclassified as miscellaneous revenue rather than as debt proceeds.
- The Village was awarded a grant from the Ohio Department of Natural Resources totaling \$28,253. The grant was improperly classified as miscellaneous revenue rather than as intergovernmental revenue.
- The Village was awarded a grant from Ohio Mid-Eastern Governments Association for matching funds on a project totaling \$40,000. The grant was improperly classified as miscellaneous revenue rather than as intergovernmental revenue.

As a result, the Village's financial statements were not accurately or materially stated.

Sound financial reporting is the responsibility of the Village's Fiscal Officer and is essential to help ensure the information provided to the readers of the financial statements is complete and accurate.

To help ensure the Village's financial statements are complete and accurate, the Village should adopt policies and procedures to identify and correct errors and omissions in reporting. The Village should also refer to the UAN accounting manual for additional guidance in recording receipts and expenditures in the UAN system. The Village should ensure that all on behalf monies are posted to the Village records.

The Village's financial statements have been adjusted accordingly.

**Official's Response:** The Fiscal Officer which is comprised of the Fiscal Officer and Fiscal Assistant ensures that all future monies received on behalf of the Village of Dennison will be disclosed on the financials appropriately. It should be noted that the Fiscal Department was unaware that such grants/monies received by other entities be disclosed. In addition, revenues will be properly classified as outlined in the UAN Accounting Manual and said Manual will be utilized for clarification.

**VILLAGE OF DENNISON  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**Finding Number 2013-002**

**Significant Deficiency - Monthly Bank Reconciliations**

Numerous unreconciled, unsupported differences between the Village's bank balance and book balance were identified on the monthly bank reconciliations. As of December 31, 2012, an unreconciled difference of \$521.60 existed and as of December 31, 2013 unreconciled differences of \$839.96 to the bank balance and \$307.98 to the book balance existed. As a result, all 2012 and 2013 monthly bank reconciliations were reviewed and month identified an unreconciled difference between the Village's bank balance and book balance. A majority of these unreconciled differences were not accompanied by supporting documentation. During 2012 and 2013, these unreconciled differences ranged between \$521.60 to \$613.39 and \$190.13 and \$839.96, respectively. As a result, the risk that cash could be misappropriated is increased without being detected timely.

The Fiscal Officer should identify the most recent unreconciled bank and book balance difference in 2014 and request Village Council pass legislation giving the Fiscal Officer the authority to adjust the book balance in order to reconcile to the bank. Going forward, the Fiscal Officer should identify and document each reconciling item on the monthly bank reconciliation supported by underlying documentation. This will help reduce the risk that cash could be misappropriated without being detected timely.

**Official's Response:** The Fiscal Assistant has been directed to provide the unreconciled bank difference to Council at the June 19, 2014 meeting for approval to adjust the balances. The Fiscal Assistant will contact the Auditor of State if she has questions as to the proper steps in adjusting the balances. All future monthly bank reconciliations will be reviewed and signed off by the Fiscal Officer and disclosed to Council on a monthly basis.

**Finding Number 2013-003**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.14(B) states the unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision; provided that if such money is not required to meet the obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision.

During 2013, the Village transferred \$48,000 from the Capital Projects Fund to the General Fund without the approval from the Tuscarawas County Court of Common Pleas. As a result, the transfer is not permitted.

The Village should review the Ohio Revised Code prior to making transfers to help ensure transfers are legal. This will help minimize the risk of significantly misstating the financial statements.

The financial statements and client records have been adjusted accordingly.

**Official's Response:** The Fiscal Officer admits that she directed the Fiscal Assistant to transfer the said funds to the General Account. The funds have been transferred back into the Capital Projects Fund and will only be used for eligible expenses for the Panhandle Passage and future projects associated with the Trail. All requests will be submitted in writing to the Village of Dennison Solicitor for approval. If necessary, the Ohio State Auditor's Office will be contacted.

**VILLAGE OF DENNISON  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**Finding Number 2013-004**

**Noncompliance**

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. Village Council passed appropriations measures; however, some funds' appropriations were not sufficient to cover expenditures.

Prior to adjustments, budgetary expenditures exceeded appropriations in 2012:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General	\$885,460	\$1,115,570	(\$230,110)
Street Construction and Maintenance	104,104	187,222	(83,118)
Panhandle Passage Trail	2,500	26,500	(24,000)
Park	2,030	5,677	(3,647)

Additionally, prior to adjustments, the following fund had expenditures which exceeded appropriations in 2013:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General	\$892,944	\$1,097,526	(\$204,582)

The failure to limit expenditures to the amount appropriated by the Village Council in each fund could result in overspending and negative cash balances. Budgetary figures posted to the ledgers should reflect the actual amounts approved for appropriation by Village Council.

The Fiscal Officer should frequently compare expenditures to appropriations at the fund level to help to avoid overspending. The Fiscal Officer should verify that only the appropriations approved by Village Council are posted to the accounting system to make the proper determination of certification and payment of Village expenditures. This will help strengthen the Village's ability to effectively monitor the Village's expenditures versus appropriations.

**Official's Response:** The Fiscal Officer admits that she unknowingly failed to have appropriations approved by Council and that she discovered at the end of 2012 that all requested appropriations submitted to the Tuscarawas County Auditor must also be submitted and approved by Council. Unfortunately, after the discovery, Council did not meet until 2013 at which time the Fiscal Officer presented the Appropriation Ordinance. The Fiscal Department ensures that the problem has been corrected and at the suggestion of the Tuscarawas County Auditor's Office, all appropriation requests are submitted to the County Auditor and the Dennison Council on a quarterly basis.

VILLAGE OF DENNISON  
TUSCARAWAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Ohio Rev. Code Section 5705.41(B) – Fund expenditures exceeded appropriations.	No	See Finding 2013-004.



# Dave Yost • Auditor of State

VILLAGE OF DENNISON

TUSCARAWAS COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JULY 8, 2014