



**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 - 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF DRESDEN
MUSKINGUM COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Dresden, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999. 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 discussed in the following paragraph, 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.

We were unable to obtain assurances concerning revenues of the fire and emergency medical services squad for the year ended December 31, 1999, nor were we able to satisfy ourselves as to those revenues by other auditing procedures. The revenues of the fire and emergency medical services squad are included in the Enterprise Fund Type and represent 8 percent of the revenue of the Enterprise Fund Type for the year ended December 31, 1999.

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

In our opinion, except for such adjustments, if any, that would have been necessary had sufficient competent evidential matter been available concerning revenues of the fire and emergency medical services squad, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Dresden, Muskingum County, as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2001 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

October 5, 2001

VILLAGE OF DRESDEN
MUSKINGUM COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$50,752		\$30,088		\$80,840
Income Tax		337,415			337,415
Special Assessments		1,056			1,056
Intergovernmental Receipts	78,198	39,009			117,207
Charges for Services		12,905			12,905
Fines, Licenses, and Permits	18,600				18,600
Interest	32,415				32,415
Miscellaneous	3,903	99,967			103,870
Total Cash Receipts	183,868	490,352	30,088	0	704,308
Cash Disbursements:					
Current:					
Security of Persons and Property	261,083	15,374			276,457
Public Health Services		37,164			37,164
Leisure Time Activities	5,240				5,240
Transportation		221,661			221,661
General Government	108,979	27,503	649		137,131
Debt Service:					
Principal Payments			95,789	2,793	98,582
Interest Payments			45,852	1,517	47,369
Capital Outlay	31,272				31,272
Total Cash Disbursements	406,574	301,702	142,290	4,310	854,876
Total Cash Receipts Over/(Under) Cash Disbursements	(222,706)	188,650	(112,202)	(4,310)	(150,568)
Other Financing Receipts/(Disbursements):					
Sale of Bonds or Notes	43,905				43,905
Transfers-In	322,500	146,800	87,509		556,809
Other Financing Sources			2,000		2,000
Transfers-Out	(123,815)	(462,935)			(586,750)
Total Other Financing Receipts/(Disbursements)	242,590	(316,135)	89,509	0	15,964
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	19,884	(127,485)	(22,693)	(4,310)	(134,604)
Fund Cash Balances, January 1	(7,943)	262,958	54,422	20,445	329,882
Fund Cash Balances, December 31	\$11,941	\$135,473	\$31,729	\$16,135	\$195,278
Reserves for Encumbrances, December 31	\$418	\$988	\$0	\$0	\$1,406

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$499,312	\$	\$	\$499,312
Interest		78		78
Miscellaneous	6,184			6,184
Total Operating Cash Receipts	505,496	78	0	505,574
Operating Cash Disbursements:				
Personal Services	56,983	600		57,583
Fringe Benefits	15,824	81		15,905
Contractual Services	19,239			19,239
Supplies and Materials	205,427			205,427
Capital Outlay	27,935			27,935
Total Operating Cash Disbursements	325,408	681	0	326,089
Operating Income/(Loss)	180,088	(603)	0	179,485
Non-Operating Cash Receipts:				
Intergovernmental Receipts	7,345			7,345
Other Non-Operating Cash Receipts	6,000		10,865	16,865
Total Non-Operating Cash Receipts	13,345	0	10,865	24,210
Non-Operating Cash Disbursements:				
Debt Service:				
Principal	44,255			44,255
Interest	31,220			31,220
Other Non-Operating Cash Disbursements	45,000		10,865	55,865
Total Non-Operating Cash Disbursements	120,475	0	10,865	131,340
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	72,958	(603)	0	72,355
Transfers-In	43,895	6		43,901
Transfers-Out	(13,960)			(13,960)
Net Receipts Over/(Under) Disbursements	102,893	(597)	0	102,296
Fund Cash Balances, January 1	651,302	4,805	0	656,107
Fund Cash Balances, December 31	\$754,195	\$4,208	\$0	\$758,403
Reserve for Encumbrances, December 31	\$54	\$0	\$0	\$54

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

VILLAGE OF DRESDEN
MUSKINGUM COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$52,862	\$	\$29,110	\$	\$	\$81,972
Income Taxes		391,973				391,973
Special Assessments		22,188				22,188
Intergovernmental Receipts	68,910	42,981				111,891
Charges for Services	17	11,435				11,452
Fines, Licenses, and Permits	21,498					21,498
Interest	31,255	3,118				34,373
Miscellaneous	3,619	90				3,709
Total Cash Receipts	178,161	471,785	29,110	0	0	679,056
Cash Disbursements:						
Current:						
Security of Persons and Property	201,225	14,663				215,888
Public Health Services		27,110				27,110
Leisure Time Activities	1,060					1,060
Transportation		236,375				236,375
General Government	133,102	15,640				148,742
Debt Service:						
Principal Payments	5,148		87,923	2,664		95,735
Interest Payments	249		50,997	1,098		52,344
Total Cash Disbursements	340,784	293,788	138,920	3,762	0	777,254
Total Cash Receipts Over/(Under) Cash Disbursements	(162,623)	177,997	(109,810)	(3,762)	0	(98,198)
Other Financing Receipts/(Disbursements):						
Transfers-In		202,621	128,728			331,349
Transfers-Out		(202,621)			(300,400)	(503,021)
Total Other Financing Receipts/(Disbursements)	0	0	128,728	0	(300,400)	(171,672)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(162,623)	177,997	18,918	(3,762)	(300,400)	(269,870)
Fund Cash Balances, January 1	154,680	84,961	35,504	24,207	300,400	599,752
Fund Cash Balances, December 31	(\$7,943)	\$262,958	\$54,422	\$20,445	\$0	\$329,882
Reserves for Encumbrances, December 31	\$0	\$0	\$0	\$0	\$0	\$0

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$483,714	\$	\$	\$483,714
Interest		95		95
Miscellaneous	17,072			17,072
Total Operating Cash Receipts	500,786	95	0	500,881
Operating Cash Disbursements:				
Personal Services	59,579	814		60,393
Fringe Benefits	8,585	10		8,595
Contractual Services	24,612			24,612
Supplies and Materials	302,404			302,404
Capital Outlay	183,405			183,405
Total Operating Cash Disbursements	578,585	824	0	579,409
Operating Income/(Loss)	(77,799)	(729)	0	(78,528)
Non-Operating Cash Receipts:				
Proceeds from Notes and Bonds	155,118			155,118
Other Non-Operating Cash Receipts			10,237	10,237
Total Non-Operating Cash Receipts	155,118	0	10,237	165,355
Non-Operating Cash Disbursements:				
Debt Service:				
Principal	39,102			39,102
Interest	29,047			29,047
Other Non-Operating Cash Disbursements			10,237	10,237
Total Non-Operating Cash Disbursements	68,149	0	10,237	78,386
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	9,170	(729)	0	8,441
Transfers-In	255,460			255,460
Transfers-Out	(83,788)			(83,788)
Net Receipts Over/(Under) Disbursements	180,842	(729)	0	180,113
Fund Cash Balances, January 1	470,460	5,534	0	475,994
Fund Cash Balances, December 31	\$651,302	\$4,805	\$0	\$656,107
Reserve for Encumbrances, December 31	\$0	\$0	\$0	\$0

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

The Village's investments are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

Cemetery Fund - This fund receives transfers-in and charges for services to provide cemetery services and maintenance.

Street Lighting Fund - This fund receives special assessments to provide street lighting within the Village.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. 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 Bond Fund - This fund receives property tax money to pay debt from the purchase of fire protection equipment.

Fire Station Debt Fund - This fund receives monies from various sources to pay debt from the construction of the Fire Station.

4. Capital Projects Funds

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

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

5. Enterprise Funds

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

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

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

Sewer Construction Fund - This fund receives a portion of the waste water user charges to be used for current capital improvements

Fire and Squad Fund - This fund receives user charges to provide fire and ambulance services to the Village and other entities.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

6. Fiduciary Funds (Trust and Agency Funds)

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

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

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unpaid Vacation and Sick Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$ 780,530	\$ 350,189
Certificates of deposit	<u>170,151</u>	<u>632,800</u>
Total deposits	<u>950,681</u>	<u>982,989</u>
Savings bond	<u>3,000</u>	<u>3,000</u>
Total deposits and investments	<u>\$ 953,681</u>	<u>\$ 985,989</u>

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 242,595	\$ 550,273	\$ 307,678
Special Revenue	692,000	637,152	(54,848)
Debt Service	32,312	119,597	87,285
Capital Projects	0	0	0
Enterprise	495,435	562,736	67,301
Fiduciary	<u>750</u>	<u>84</u>	<u>(666)</u>
Total	<u>\$ 1,463,092</u>	<u>\$ 1,869,842</u>	<u>\$ 406,750</u>

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 269,500	\$ 530,807	\$ (261,307)
Special Revenue	669,750	765,625	(95,875)
Debt Service	30,000	142,290	(112,290)
Capital Projects	0	4,310	(4,310)
Enterprise	492,209	459,897	32,312
Fiduciary	675	681	(6)
Total	<u>\$ 1,462,134</u>	<u>\$ 1,903,610</u>	<u>\$ (441,476)</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 223,553	\$ 178,161	\$ (45,392)
Special Revenue	681,500	674,406	(7,094)
Debt Service	33,035	157,838	124,803
Capital Projects	0	0	0
Enterprise	562,500	911,364	348,864
Fiduciary	500	95	(405)
Total	<u>\$ 1,501,088</u>	<u>\$ 1,921,864</u>	<u>\$ 420,776</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 0	\$ 340,784	\$ (340,784)
Special Revenue	0	496,409	(496,409)
Debt Service	0	138,920	(138,920)
Capital Projects	0	3,762	(3,762)
Enterprise	0	730,522	(730,522)
Fiduciary	0	301,224	(301,224)
Total	<u>\$ 0</u>	<u>\$ 2,011,621</u>	<u>\$ (2,011,621)</u>

Compliance and Accountability:

Contrary to Ohio law, the fiscal officer's certification of availability of unencumbered appropriations for expenditure was not obtained during 1999 and, in many instances, was not obtained during 2000.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Compliance and Accountability : (Continued)

During 1999, an annual appropriation measure was not adopted by Council and subsequently filed with the County Auditor as required by Ohio Revised Code Section 5705.38. As a result, all expenditures were made in violation of Ohio Revised Code Section 5705.41(B) which prohibits a subdivision from making a disbursement unless it has been appropriated. Expenditures were also made during 2000 in excess of legally adopted appropriations as follows:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$269,500	\$530,807	(\$261,307)
Cemetery Fund	33,500	37,164	(3,664)
State Grants Fund	0	3,796	(3,796)
Fire and Squad Fund	85,000	203,044	(118,044)
Fire Bond Fund	30,000	32,464	(2,464)
Fire Station Debt Fund	0	109,826	(109,826)
Cemetery Trust Fund	675	681	(6)
Income Tax Fund	358,250	490,352	(132,102)

During 2000, the Village appropriated funds in excess of total estimated resources in the General Fund in violation of Ohio Revised Code Section 5705.39 which requires appropriations from each fund to be limited to total certified estimated resources.

At December 31, 1999, the Village's General Fund had a negative fund cash balance of \$7,943, contrary to Ohio Revised Code Section 5705.10.

4. PROPERTY TAX

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

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

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

4. PROPERTY TAX (Continued)

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

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 510,407	5.00%
General Obligation Bonds - Fire Truck	30,000	5.25%
General Obligation Bonds - Fire Station	213,983	6.00%
General Obligation Bonds - Fire Station	582,300	4.75%
Ohio Public Works Commission Loan - Sixth Street	22,981	4.00%
Ohio Public Works Commission Loan - Water Storage Tank	151,945	2.00%
Total	<u>\$1,511,616</u>	

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

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

The Village issued bonds in the amount of \$240,000 for the purchase of a new fire truck on May 1, 1992. Proceeds of property taxes are used to retire the debt. The required interest and principal payments are made annually.

The Ohio Public Works Commission (OPWC) Water Storage Tank Loan was issued during 1999 in the amount of \$155,118. The loan will be repaid with the proceeds of water revenues in semiannual installments of \$4,724, including interest, over 20 years.

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

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	OWDA Loan	General Obligation Bonds - Fire Truck	General Obligation Bonds - Fire Station - \$300,000	General Obligation Bonds - Fire Station - \$621,800	OWPC - Sixth Street Loan	OWPC - Water Storage Tank Loan
2001	\$ 68,149	\$ 31,830	\$ 61,009	\$ 48,859	\$ 3,796	\$ 9,448
2002	68,149	0	61,009	48,852	3,796	9,448
2003	68,149	0	61,009	48,898	3,796	9,448
2004	68,149	0	61,009	48,791	3,796	9,448
Subsequent	<u>374,820</u>	<u>0</u>	<u>0</u>	<u>683,798</u>	<u>3,796</u>	<u>146,451</u>
Total	<u>\$ 647,416</u>	<u>\$ 31,830</u>	<u>\$ 244,036</u>	<u>\$ 879,198</u>	<u>\$ 18,980</u>	<u>\$ 184,243</u>

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries through June 30, 2000. Commencing July 1, 2000, PERS temporarily reduced employer contributions to 8.13%. The Village has paid all contributions required through December 31, 2000.

7. INCOME TAX

The Village levied a voted tax of 1 percent for general operations, maintenance of equipment, debt retirement, parks and recreation, and capital improvements on the income of residents and/or employees who receive a W-2 form from an employer within the Village and on the net profits of businesses located in the Village. Employers are required to withhold income tax on compensation and remit the tax directly to the Village. Taxpayers over the age of 18 are required to file an annual return. The Village maintains a separate Income Tax Fund and income tax receipts are credited to this fund on the Village's ledgers. Income Tax Fund activity has been reflected within the Special Revenue Fund in the accompanying financial statements based upon Dresden Ordinance No. 86-4.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

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

9. SUBSEQUENT EVENTS

On June 18, 2001, Village Council approved the issuance of \$168,131 in notes in anticipation of the issuance of bonds for the purpose of paying part of the costs of a new fire truck and related equipment for the Village Fire Department.

On July 16, 2001, Village Council approved the purchase of real estate located at 22 W. 9th Street for the amount of \$42,500 from the Longaberger Company. In addition, Council authorized the purchase of additional real estate from the Company in the amount of \$380,000.

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Dresden, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999 and have issued our report thereon dated October 5, 2001, wherein we noted we were not able to obtain sufficient evidence to support the receipts of the fire and emergency medical services squad for the year ended December 31, 1999. Except for the restriction on the scope of our audit of fire and emergency medical service receipts, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed certain instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2000-31060-001 through 2000-31060-008. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 5, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, 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 2000-31060-001 and 2000-31060-008 through 2000-31060-011.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2000-31060-001 and 2000-31060-008 through 2000-31060-011 to be material weaknesses.

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

Jim Petro
Auditor of State

October 5, 2001

VILLAGE OF DRESDEN
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

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

Finding Number	2000-31060-001
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Noncompliance Citation and Material Weakness

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

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

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt by the taxing authority of the subdivision or taxing unit of a certificate of the fiscal officer stating that there was at the time of the making of such contract or order and at the time of execution of such certificate a sufficient sum appropriated for the purchase of such contract and in the treasury or process of collection to the credit of an appropriate fund free from any previous encumbrances, such taxing authority may authorize the drawing of a warrant in payment of amounts due upon such contract, but such resolution or ordinance shall be passed within thirty days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of the taxing authority.

The Village’s fiscal officer did not certify the availability of funds during 1999 since appropriations were not adopted during 1999. During 2000, appropriations were not adopted until May 15, 2000. After that date, purchase orders certifying the availability of funds were either not attached to vouchers or not dated for most expenditures tested. As a result, we could not determine if the fiscal officer’s certification was obtained prior to a commitment being incurred or obtained at all, for those expenditures made after May 15, 2000. Without prior certifications, the management of the Village did not maintain budgetary control over expenditures and, as more fully explained in Note 3 to the financial statements, this condition allowed noncompliance with Ohio Revised Code § 5705.41(B) to occur.

We recommend the Village officials implement procedures to gain fiscal control over expenditures. Appropriations should be adopted on or about the first day of each year and then posted to the appropriations ledger. Purchase orders should be utilized to certify the availability of funds prior to commitments being incurred. Appropriations should be encumbered prior to commitments being incurred and balances should be maintained of unencumbered appropriations. We also recommend purchase orders be dated to document the certification date and attached to the voucher.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2000-31060-002
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Noncompliance Citation

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

During 1999, expenditures were made without being appropriated. During 2000, the following funds had expenditures in excess of appropriations:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$269,500	\$530,807	(\$261,307)
Cemetery Fund	33,500	37,164	(3,664)
State Grants Fund	0	3,796	(3,796)
Fire and Squad Fund	85,000	203,044	(118,044)
Fire Bond Fund	30,000	32,464	(2,464)
Fire Station Debt Fund	0	109,826	(109,826)
Cemetery Trust Fund	675	681	(6)
Income Tax Fund	358,250	490,352	(132,102)

Expenditures made prior to May 15, 2000 were made without appropriations. We recommend that expenditures only be made once appropriations have been adopted and certification has been received by the County Auditor that appropriations do not exceed estimated resources.

Finding Number	2000-31060-003
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Ohio Rev. Code §5705.39 requires appropriations from each fund to be limited to total estimated resources. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

During 2000, appropriations exceeded estimated resources in the General Fund.

Prior to Village Council authorizing the original appropriations or approving any amendments, we recommend Council compare proposed appropriations with the Certificate of Estimated Resources to ensure that appropriations will not exceed the Village's estimated resources. If the County Auditor certifies that appropriations exceed estimated resources, as she did in the case of the General Fund during 2000, then Council should modify appropriations to be less than or equal to estimated resources.

VILLAGE OF DRESDEN
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)

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

2000-31060-004

Noncompliance Citation

Ohio Rev. Code §5705.36 requires that an increased amended certificate be obtained from the budget commission if the legislative authority intends to appropriate and expend excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriations.

The Village expended funds in excess of the Official Certificate of Estimated Resources in 2000 for the General, Cemetery, State Grants, and Fire and Squad Funds, and did not obtain increased amended certificates. Had amended certificates been obtained, additional appropriations could have been adopted to allow additional expenditures.

We recommend Council compare actual receipts to estimated receipts on a monthly basis to determine if an amended certificate should be obtained.

Finding Number

2000-31060-005

Noncompliance Citation

Ohio Rev. Code §5705.36 requires that on or about the first day of each fiscal year, the fiscal officer of each subdivision is to certify to the County Auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The total amount from all sources which was available for expenditures was not certified to the County Auditor for 2000 until March 9, 2000. For 1999, the certification was not made at all.

We recommend the Village certify to the County Auditor all amounts available for expenditure on or about the first day of each fiscal year.

Finding Number

2000-31060-006

Noncompliance Citation

Ohio Rev. Code §5705.38 states, in part, that an appropriation measure must be adopted on or about the first day of each fiscal year.

The Village did not adopt any appropriation measure for 1999 and the appropriation measure for 2000 was not adopted until May 15, 2000.

We recommend the Village adopt an appropriation measure on or about the first day of each fiscal year and file it with the County Auditor. Appropriation measures do not become effective until the County Auditor files a certificate that appropriations do not exceed estimated resources.

VILLAGE OF DRESDEN
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)

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

Finding Number	2000-31060-007
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Noncompliance Citation

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

At December 31, 2000, the General Fund had a negative fund cash balance of \$7,943.

We recommend the Village use money paid into a fund only for the allowed purposes of that fund. When cash flow problems arise, monies should be advanced as directed in Auditor of State Bulletin 97-003.

Finding Number	2000-31060-008
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Noncompliance Citation and Material Weakness

Section 4 of Dresden Ordinance No. 98-21 - An Ordinance Authorizing the Issuance of \$621,800 of Bonds for the Purpose of Paying Part of the Cost of Constructing a Fire Station and Declaring an Emergency and Section 4 of Dresden Ordinance No. 98-10 - An Ordinance Authorizing the Issuance of \$300,000 of Bonds for the Purpose of Paying Part of the Cost of Constructing a Fire Station and Declaring an Emergency require, in part, that the Municipality provide a fund to pay the interest and principal on the Bonds.

The Village did not establish a debt service fund. All debt activity was reported within the Fire and Squad Fund, an Enterprise Fund Type, during the audit period. This required an adjustment to be made to the financial statements in order to properly classify these debt payments within a debt service fund.

Without the establishment and use of a separate fund for the repayment of debt, compliance with debt requirements will not be met.

We recommend the Clerk-Treasurer establish a Fire Station Debt Fund, within the Debt Service Fund Type. This fund shall be used to account for the receipt and disbursement activity related to the payment of this debt.

Finding Number	2000-31060-009
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Material Weakness - Issue II Program Accounting

The Village received a loan through the Ohio Public Works Commission for the replacement of a water storage tank. The Village did not record the loan proceeds or the payments made to the vendor. Only three transactions made by the State of Ohio on behalf of the Village were recorded in the Water Enterprise Fund.

As a result, not all Issue II program activity was properly reflected in the Water Enterprise Fund and adjustments were made to this fund to properly reflect all Issue II project activity.

We recommend the Clerk-Treasurer follow those procedures prescribed in Auditor of State Bulletin 00-008.

VILLAGE OF DRESDEN
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)

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

Finding Number	2000-31060-010
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Material Weakness - Vouchered Disbursements Documentation

The small size of the Village's staff did not allow for an adequate segregation of duties and the Clerk-Treasurer performed all accounting functions. For processing disbursements, Council members approved only a listing of bills and checks which were subsequently signed by the Clerk-Treasurer. Individual vouchers with invoices attached were not presented for Council's review and approval. In 22% of the disbursements tested, no original invoice was attached. For those instances where there was no invoice attached, expenditures did appear to be for a proper public purpose. However, this procedure could allow improper expenditures to be made without being detected by Village Council.

We recommend the Clerk-Treasurer prepare a voucher for each invoice to be paid. The original invoice and purchase order should be attached to the voucher. Once Council (or Council's designated committee) has reviewed the voucher contents, Council members (designated committee members) should sign the voucher indicating its approval for payment. Voucher numbers should correspond to check numbers for future reference purposes. Council should also consider requiring dual signatures on checks, since the segregation of duties obtained with separate clerk and treasurer positions is not present with a combined clerk-treasurer's position.

Finding Number	2000-31060-011
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Material Weakness - Fire and Emergency Medical Services Documentation

The Village's billing agency for fire and emergency medical services did not maintain and present to the Village adequate documentation supporting the receipts of the fire and emergency medical services squad for 1999. As a result, we could not perform sufficient procedures to obtain assurances concerning fire and emergency medical services receipts for 1999. It was not practicable for us to perform alternative procedures.

Beginning in 2000, the Village contracted with a new billing agency which provided the necessary reports to enable the Village to monitor collections, including those accounts which may be delinquent.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND 1999**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-31060-001	Revised Code §5705.36, failure to promptly certify amount available for expenditure.	No.	Not Corrected. Citation repeated in Schedule of Findings as 2000 -31060-005.
1998-31060-002	Revised Code §5705.36, failure to properly amend estimated resources.	No.	Not Corrected. Citation repeated in Schedule of Findings as 2000-31060-004.
1998-31060-003	Revised Code §5705.38, failure to adopt appropriations.	No.	Partially Corrected. The Village did not adopt appropriations during 1999. The Village did eventually adopt appropriations during 2000, but not before budgetary violations occurred. Citation repeated in Schedule of Findings as 2000-31060-006.
1998-31060-004	Revised Code §5705.41(B), expenditures made without benefit of appropriations.	No.	Not Corrected. Although the Village adopted appropriations during 2000, expenditures still exceeded appropriations in several funds. Citation repeated in Schedule of Findings as 2000-31060-002.
1998-31060-005	Revised Code §5705.41(D), failure to certify funds.	No.	Partially Corrected. Once appropriations were adopted during 2000, the Clerk-Treasurer did certify some funds. Citation repeated in Schedule of Findings as 2000-31060-001.
1998-31060-006	Revised Code §5705.10, material negative fund cash balances.	No.	Partially Corrected. Funds with negative balances during the prior audit period were corrected by the Village, however the General Fund had a negative fund cash balance at the end of 1999. Citation repeated in Schedule of Findings as 2000-31060-007.
1998-31060-007 through 010	Material Weakness, failure to maintain Receipts Journal, Pay-In Orders, Cash Journal, and Appropriation Ledger as prescribed.	Yes.	The Village implemented the Uniform Accounting Network System during this audit period.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-31060-011	Material Weakness, management's failure to adequately monitor village activity.	Yes.	Management is now receiving financial reports to allow adequate monitoring.
1998-31060-012	Material Weakness, documentation of vouchered disbursements.	No.	Partially corrected. Improvements have been noted in some areas, especially toward the second half of 2000. Repeated as a Material Weakness in Schedule of Findings as 2000-31060-010.
1998-31060-013	Material Weakness, documentation to support cemetery receipts.	Yes.	N/A.
1998-31060-014	Material Weakness, inadequate controls over the payroll system.	Yes.	N/A.
1998-31060-015	Failure to maintain required dedicated repayment source as required by OPWC Loan.	Yes.	N/A.
1998-31060-016	Failure to maintain separate debt service fund related to fire station bond issues.	No.	Not Corrected. Repeated in Schedule of Findings as 2000-31060-008.
1998-31060-017	Failure to establish a separate Issue II Capital Projects Fund.	No.	Not Corrected. Repeated in Schedule of Findings as 2000-31060-009.
1998-31060-018	Material Weakness, accounting for FEMA funding.	N/A.	Finding No Longer Valid. The Village did not receive any FEMA funding during this audit period.

**VILLAGE OF DRESDEN
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-31060-019	Revised Code §9.38, failure to promptly deposit funds.	Yes.	N/A.
1998-31060-020	Material Weakness, accounting for emergency squad receipts.	Yes.	Although this weakness was addressed for 2000, records were not available for 1999, resulting in a scope limitation.
1998-31060-021	Material Weakness, failure to reconcile payroll account and remit funds promptly	Yes.	N/A.
1998-31060-022	7 C.F.R. Section 1942.17(q)(2), failure to prepare proper reports and submit them to USDA.	N/A.	Finding No Longer Valid.



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VILLAGE OF DRESDEN

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 13, 2001**