

Village of Dennison

Audited Financial Statements

December 31, 2004



**Auditor of State
Betty Montgomery**

Mayor and Members of Council
Village of Dennison
302 Grant Street
Dennison, Ohio 44621

We have reviewed the *Independent Auditor's Report* of the Village of Dennison, Tuscarawas County, prepared by Rea & Associates, Inc., for the audit period January 1, 2004 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 *Independent Auditor's Report* 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 *Independent Auditor's Report* 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 Dennison is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 14, 2005

This Page is Intentionally Left Blank.

VILLAGE OF DENNISON
TUSCARAWAS COUNTY

DECEMBER 31, 2004

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types for the Year Ended December 31, 2004.....	2
Notes to the Financial Statements.....	3-9
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	10-11
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	12-13
Schedule of Findings.....	14-17
Schedule of Expenditures of Federal Awards	18
Schedule of Prior Audit Findings	19
Corrective Action Plan	20

This Page is Intentionally Left Blank.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

June 29, 2005

Mayor and Members of Council
Village of Dennison
302 Grant Street
Dennison, OH 44621

Independent Auditor's Report

We have audited the accompanying financial statements of the Village of Dennison (the "Village") as of and for the year ended December 31, 2004, 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.

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 audits provide a reasonable basis for our opinion.

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above 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 for the year then ended.

Also, in our opinion, 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 Dennison, Tuscarawas County, as of December 31, 2004 and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2005, 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 testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Rea & Associates, Inc.

VILLAGE OF DENNISON
TUSCARAWAS COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	General	Special Revenue	(Memorandum Only) Total
CASH RECEIPTS:			
Taxes	\$ 734,870	\$ 26,091	\$ 760,961
Intergovernmental Receipts	210,758	1,152,060	1,362,818
Charges for Services	0	19,790	19,790
Fines, Licenses and Permits	13,262	0	13,262
Rent	14,663	0	14,663
Earnings on Investments	2,840	1,332	4,172
Donations	0	13,412	13,412
Miscellaneous	9,479	0	9,479
<i>Total Cash Receipts</i>	<u>985,872</u>	<u>1,212,685</u>	<u>2,198,557</u>
CASH DISBURSEMENTS:			
Current:			
Security of Persons and Property	528,241	536	528,777
Public Health Services	658	0	658
Leisure Time Activities	0	57,072	57,072
Community Environment	12,288	0	12,288
Basic Utility Services	22,659	0	22,659
Transportation	0	142,307	142,307
General Government	232,949	0	232,949
Capital Outlay	28,943	759,811	788,754
Debt Service:			
Principal Payments	72,249	3,948	76,197
Interest Payments	16,443	133	16,576
<i>Total Cash Disbursements</i>	<u>914,430</u>	<u>963,807</u>	<u>1,878,237</u>
<i>Total Cash Receipts Over/(Under) Disbursements</i>	<u>71,442</u>	<u>248,878</u>	<u>320,320</u>
OTHER FINANCING RECEIPTS/(DISBURSEMENTS):			
Proceeds from Loans	28,943	0	28,943
Transfers - In	0	70,000	70,000
Transfers - Out	(70,000)	0	(70,000)
Other Financing Source (Use)	(50)	1,051	1,001
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(41,107)</u>	<u>71,051</u>	<u>29,944</u>
<i>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</i>	30,335	319,929	350,264
<i>Fund Cash Balances, January 1</i>	<u>288,762</u>	<u>272,976</u>	<u>561,738</u>
Fund Cash Balances, December 31	<u>\$ 319,097</u>	<u>\$ 592,905</u>	<u>\$ 912,002</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$ 13,866</u>	<u>\$ 115,570</u>	<u>\$ 129,436</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Dennison, Tuscarawas County, (the Village) is a body politic and corporate 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 park operations (leisure time activities), and police and fire 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

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The Village maintains all cash in a checking or money market savings account, which is valued at cost.

D. Fund Accounting

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

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.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 taxes and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Parks and Recreation Fund – This fund receives monies from charges for services for operating the pool and park.

Industrial Park Fund – This fund receives state and federal grant money used for the purpose of constructing infrastructure in the Village's Industrial Park.

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, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2004 budgetary activity appears in Note 3.

VILLAGE OF DENNISON
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

NOTE 2: EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>
Demand deposits	<u>\$ 912,002</u>

Deposits

Contrary to Ohio Revised Code §135.18, the Village did not have sufficient collateral to cover depository balances during 2004.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2004 is as follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 958,926	\$ 1,014,815	\$ 55,889
Special Revenue	<u>1,401,645</u>	<u>1,283,736</u>	<u>(117,909)</u>
Total	<u>\$ 2,360,571</u>	<u>\$ 2,298,551</u>	<u>\$ (62,020)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,196,313	\$ 998,346	\$ 197,967
Special Revenue	<u>1,575,840</u>	<u>1,079,377</u>	<u>496,463</u>
Total	<u>\$ 2,772,153</u>	<u>\$ 2,077,723</u>	<u>\$ 694,430</u>

NOTE 4: PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 semi-annual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 5: LOCAL INCOME TAX

The Village levies a municipal income tax of 2% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside 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.

NOTE 6: DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Industrial Park Improvement Note	\$ 403,125	3.00%
Police Cruiser	18,195	4.85%
Total	<u>\$ 421,320</u>	

The Village of Dennison renewed a note in 2003 with the First National Bank of Dennison for the Industrial Park Improvements. The note was originally acquired in April of 2000 as an open note and was totally drawn down in 2003.

In May 2004 the Village purchased a police cruiser through Ford Municipal Finance Program.

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

<u>Year ending December 31:</u>	<u>Police Cruiser Principal</u>	<u>Police Cruiser Interest</u>	<u>Industrial Park Imp. Note Principal</u>	<u>Industrial Park Imp. Interest</u>
2005	\$ 14,468	\$ 622	\$ 21,500	\$ 11,798
2006	3,727	45	21,500	11,153
2007	0	0	21,500	10,508
2008	0	0	21,500	9,863
2009	0	0	21,500	9,218
2010-2014	0	0	107,500	36,416
2015-2019	0	0	107,500	20,291
2020-2024	0	0	80,625	4,645
Totals	<u>\$ 18,195</u>	<u>\$ 667</u>	<u>\$ 403,125</u>	<u>\$ 113,892</u>

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 7: CONTRACTUAL COMMITMENTS

The Village has two contractual commitments as of December 31, 2004 for the Center Street Project with Stanley Miller Construction in the amount of \$424,332 and Wood Electric in the amount of \$73,028. The contract amounts were \$480,838 and \$78,812 respectively.

NOTE 8: RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters 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 2004 members of OP&F contributed 10% of their wages to the OP&F. The Village contributed an amount equal to 19.5% of participant's gross salaries. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries for 2004. The Village has paid all contributions required through December 31, 2004.

NOTE 9: 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
- Employers Liability; and
- Law Enforcement Liability

NOTE 10: CONCENTRATION OF CREDIT RISK

The Village maintains its cash balances in one financial institution located in Dennison, Ohio. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2004 the Village's uninsured cash balances totaled \$324,124.

NOTE 11: JOINTLY GOVERNED ORGANIZATIONS

A. Twin City Water and Sewer District (District)

The District is a jointly governed organization under Ohio Revised 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 2004 \$3,961 was paid to the District by the Village.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 11: JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

The Cemetery is a jointly governed organization under Ohio Revised 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 2004, 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, Sugar Creek and Gnadenhutten. It is controlled by 25 trustees consisting of the three County Commissioners, the mayor of each participating city 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 2004, no monies were paid to the Corporation by the Village.

D. Tuscarawas County Regional Planning Commission (Commission)

The Village is associated with the Tuscarawas County Regional Planning Commission as a Jointly Governed Organization. The Commission is statutorily created political subdivision of the State. The Commission is jointly governed among Tuscarawas County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economical and governmental characteristics, functions and services of the county. In 2004 \$329 was paid to the Commission by the Village.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

June 29, 2005

Village Council
Village of Dennison
302 Grant Street
Dennison, OH 44621

Independent Auditor's Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

We have audited the financial statements of the Village of Dennison (the Village) as of and for the year ended December 31, 2004, and have issued our report thereon dated June 29, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as item 2004-003 and 2004-004. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Village in a separate letter dated June 29, 2005.

A material weakness is a reportable 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 of 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 believe the reportable condition described in 2004-003 above is a material weakness.

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 and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2004-001 and 2004-002.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village of Dennison in a separate letter dated June 29, 2005.

This report is intended solely for the information and use of the Mayor, Village Council, federal awarding agencies, and management and is not intended to be and should not be used by anyone other than these specific parties.

Kea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

June 29, 2005

Mayor and Members of Council
Village of Dennison
302 Grant Street
Dennison, OH 44621

Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major Program and Internal
Control Over Compliance in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of the Village of Dennison (the "Village") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2004. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village of Dennison complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2004.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards - Non-GAAP Budgetary Basis

We have audited the financial statements of the Village of Dennison as of and for the years ended December 31, 2004, and have issued our report thereon dated June 29, 2005. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for 2004 is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Hea & Associates, Inc.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

1. SUMMARY OF AUDITOR'S RESULTS
--

A-133 Ref.
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any reportable conditions reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list):	Economic Development Administration– CFDA #11.300
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

VILLAGE OF DENNISON
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004

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

Material Noncompliance

FINDING NUMBER	2004 – 001
----------------	------------

Ohio Rev. Code Section 135.18 states that the Clerk/Treasurer shall require the institution designated as a public depository to pledge to and deposit with him, as security for the repayment of all public monies to be deposited in the depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public monies which are insured by the federal deposit insurance corporation. The Village did not have sufficient collateral to cover depository balances for nine months in 2004. During the year the excess depository balances over collateral ranged from approximately \$37,400 to \$327,000.

The Village should obtain additional pledged collateral from the bank and then receive quarterly collateral statements to monitor the Village's fund balance in relation to the collateral pledged.

FINDING NUMBER	2004 – 002
----------------	------------

Ohio Rev. Code Section 9.38 - Deposits of public money states public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. The Village is not depositing the collections for income tax payments by the next business day. We noted only 31 deposits for income tax collections for 2004 with amounts varying from approximately \$4,400 to \$127,100. These deposits are generally made once or twice a month except for April and May when activity is greatest. We also noted only 18 entries to the financial reporting system.

Aside from being out of compliance with the ORC section, the Village is losing possible interest and is placing revenues at risk by not depositing them in a financial institution. This also increases the risk of lost checks and possible misappropriation of assets.

We recommend the deposits for income tax, as well as any other cash collections be deposited at the bank by the next business day. If the deposit cannot be made during business hours the Village should make use of the night drop facilities at the bank. The Village does have options per this section and should establish a policy regarding depositing receipts.

VILLAGE OF DENNISON
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004
(Continued)

Material Weakness in Internal Control

FINDING NUMBER	2004 – 003
----------------	------------

The Village does not have a procedure in place to review and ensure the income tax receipts are posted to the individual accounts through the CMI Income Tax reporting system in a timely manner and that records from the CMI system agree to the financial accounting system. The income tax deposits have not been posted to the CMI system since April 23, 2004. Deposits of tax receipts are not posted to the financial accounting system daily nor are they deposited with the bank on a daily basis. At the current time one person receives payments, prepares the deposits for the bank, posts to the CMI system and posts to the financial system.

As a result it is not possible to verify that all payments are recorded and the financial records reflect the proper amount of revenue. A lack of oversight in this area could lead to misappropriation of funds, loss of checks from taxpayers, and the inability to verify that taxpayers are paying the amounts owed to the Village.

We recommend the Village establish procedures to ensure income tax revenue is posted and recorded in a timely manner and that management review of activity is performed. These procedures could include segregation of duties to ensure one person is not handling all aspects of the income tax department, management review of reports generated daily detailing activity, reconciliations of the income tax CMI system to the financial accounting records, and any other procedures the Village may deem necessary.

Reportable Condition in Internal Control

FINDING NUMBER	2004 – 004
----------------	------------

There are a number of incorrect revenue postings annually on the Village books. These revenue errors are mostly classifications of intergovernmental revenues and taxes, however, there are additional entries, such as grants, rents, and debt payments that also need to be adjusted each year. We also noted that in some cases some months may be posted correctly while others are not. We also noted there is no management review of the revenue postings.

If revenues are posted to the wrong funds or line items, the Village Council and management may not have an accurate picture of the revenues available to fund certain projects or activities. With incorrect postings of revenues management is also unable to compare revenue sources with prior years in order to determine what funding trends are taking place. Because comparisons may be skewed management may not be able to detect fraud in a timely manner.

VILLAGE OF DENNISON
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004
(Continued)

Material Weakness in Internal Control

FINDING NUMBER	2004 – 004 (Continued)
----------------	------------------------

We recommend management establish a procedure for posting and management level review of revenue entries. These procedures may include the Clerk initialing all data entry, continued education for the Deputy Clerk and Clerk on the proper recording procedures for the various funding sources, an Accounting Policies and Procedures Manual, and any other manner of review management deems necessary.

This will enable management to have a more accurate picture of the financial condition of the Village during the year and will provide a better budgeting tool for the Village Council.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA #	Pass-Through Grantor's Number	Program Award Amount	2004 Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Direct Award</i>				
Rural Development Grant	10.769		\$ 160,000	\$ 160,000
U.S. DEPARTMENT OF COMMERCE				
Direct Award				
Economic Development Administration	11.300	06-02-04781	453,093	408,158
FEDERAL EMERGENCY MANAGEMENT: (Passed through Ohio Emergency Management Agency)				
Hazard Mitigation Plan Grant	83.557		7,524	<u>7,500</u>
TOTAL FEDERAL AWARD EXPENDITURES				<u><u>\$ 575,658</u></u>

VILLAGE OF DENNISON
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	Ohio Rev. Code Section 135.18 securing adequate collateral.	No	Not Corrected; see Finding 2004-001
2003-002	Ohio Rev. Code Section 5705.39 appropriations exceeding estimated resources.	Yes	

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
FOR THE YEAR ENDED DECEMBER 31, 2004**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2004-001	The Village plans to request additional collateral and monitor the bank balance in relation to the collateral pledged.		
2004-002	Ohio Revised Code Section 9.38 – Deposits of public money not being done within one business day.		
2004-003	The Village does not have a procedure in place to ensure the income tax receipts are posted to the individual accounts through the CMI Income Tax System in a timely manner and that records from the CMI system agree to the financial accounting system.		
2004-004	There are a number of incorrect revenue postings annually on the Village books requiring numerous reclassifications as to fund and revenue category.		

The Village plans to address the corrective action plan at a later date.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
DECEMBER 27, 2005**