

Village of Dennison

Audited Financial Statements

December 31, 2006



Mary Taylor, CPA

Auditor of State

Village 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, 2006 through December 31, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 23, 2007

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VILLAGE OF DENNISON
TUSCARAWAS COUNTY

DECEMBER 31, 2006

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Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

February 20, 2007

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, 2006, 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.

Revisions to generally accepted accounting principles would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2006. Instead of the funds the accompanying financial statements present for 2006, the revisions require presenting the entity wide statements and also to present its larger (i.e. major) funds separately for 2006. While the Village does not follow generally accepted accounting principles, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new generally accepted accounting principles presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use generally accepted accounting principles to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2006 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, 2006, or its changes in financial position for the year then ended.

Mayor and Members of Council
Village of Dennison
Independent Auditor's Report
February 20, 2007
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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, 2006 and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2006. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2007, 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, 2006

| | General | Special Revenue | (Memorandum Only) Total |
|---|--------------------------|--------------------------|-------------------------------|
| CASH RECEIPTS: | | | |
| Taxes | \$ 708,566 | \$ 26,602 | \$ 735,168 |
| Intergovernmental Receipts | 131,316 | 854,255 | 985,571 |
| Charges for Services | 21,496 | 4,584 | 26,080 |
| Fines, Licenses and Permits | 10,264 | 0 | 10,264 |
| Earnings on Investments | 4,525 | 873 | 5,398 |
| Donations | 0 | 1,294 | 1,294 |
| Miscellaneous | 10,394 | 15,142 | 25,536 |
| <i>Total Cash Receipts</i> | <u>886,561</u> | <u>902,750</u> | <u>1,789,311</u> |
| CASH DISBURSEMENTS: | | | |
| Current: | | | |
| Security of Persons and Property | 470,914 | 266 | 471,180 |
| Leisure Time Activities | 0 | 19,090 | 19,090 |
| Community Environment | 11,085 | 0 | 11,085 |
| Basic Utility Services | 23,334 | 0 | 23,334 |
| Transportation | 0 | 163,884 | 163,884 |
| General Government | 192,740 | 0 | 192,740 |
| Capital Outlay | 16,754 | 744,024 | 760,778 |
| Debt Service: | | | |
| Principal Payments | 31,227 | 0 | 31,227 |
| Interest Payments | 26,031 | 0 | 26,031 |
| <i>Total Cash Disbursements</i> | <u>772,085</u> | <u>927,264</u> | <u>1,699,349</u> |
| <i>Total Cash Receipts Over/(Under) Disbursements</i> | <u>114,476</u> | <u>(24,514)</u> | <u>89,962</u> |
| OTHER FINANCING RECEIPTS/(DISBURSEMENTS): | | | |
| Proceeds from Loans | 16,754 | 0 | 16,754 |
| Proceeds from Sale of Assets | 350 | 0 | 350 |
| Transfers - In | 0 | 50,000 | 50,000 |
| Transfers - Out | (50,000) | 0 | (50,000) |
| Other Financing Source (Use) | 0 | 668 | 668 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(32,896)</u> | <u>50,668</u> | <u>17,772</u> |
| <i>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</i> | 81,580 | 26,154 | 107,734 |
| <i>Fund Cash Balances, January 1</i> | <u>387,349</u> | <u>301,778</u> | <u>689,127</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 468,929</u> | <u>\$ 327,932</u> | <u>\$ 796,861</u> |
| <i>Reserve for Encumbrances, December 31</i> | <u>\$ 16,481</u> | <u>\$ 224,039</u> | <u>\$ 240,520</u> |

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

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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. Investments are limited to certificates of deposit.

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 (Continued)
DECEMBER 31, 2006**

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.

Center Street Project Fund – This fund receives state grant money used for the purpose of improving infrastructure.

Dennison Railroad Depot Fund – This fund receives federal grant money used for the purpose of improving the Depot railway cars and museum.

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 2006 budgetary activity appears in Note 3.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2006**

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 \$796,861.

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village and by a bank deposit guarantee bond.

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 is as follows:

2006 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|------------------------------|----------------------------|--------------------|
| General | \$ 870,546 | \$ 903,665 | \$ 33,119 |
| Special Revenue | <u>1,052,167</u> | <u>953,418</u> | <u>(98,749)</u> |
| Total | <u>\$ 1,922,713</u> | <u>\$ 1,857,083</u> | <u>\$ (65,630)</u> |

2006 Budgeted vs. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
|------------------|------------------------------------|-----------------------------------|-------------------|
| General | \$ 1,216,958 | \$ 838,566 | \$ 378,392 |
| Special Revenue | <u>1,186,705</u> | <u>1,151,303</u> | <u>35,402</u> |
| Total | <u>\$ 2,403,663</u> | <u>\$ 1,989,869</u> | <u>\$ 413,794</u> |

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2006**

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.

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, 2006 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|----------------------------------|-------------------|--------------------------|
| Industrial Park Improvement Note | \$ 360,125 | 7.25% |
| Police Cruiser | <u>10,754</u> | 7.80% |
| Total | <u>\$ 385,352</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. The interest rate fluctuates at prime minus 1%.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2006**

NOTE 6: DEBT (Continued)

In November 2006 the Village purchased a police cruiser through GMAC Finance Program. This vehicle is on a three year annual payment schedule with an interest rate of 7.8%

Amortization of the above debt is scheduled as follows:

| Year ending 31-Dec | Police Cruiser Principal | Police Cruiser Interest | Industrial Park Imp. Note Principal | Industrial Park Imp. Interest |
|-----------------------|--------------------------------|-------------------------------|--|-------------------------------------|
| 2007 | \$ 5,170 | \$ 839 | \$ 21,500 | \$ 25,748 |
| 2008 | 5,584 | 436 | 21,500 | 24,234 |
| 2009 | 0 | 0 | 21,500 | 22,586 |
| 2010 | 0 | 0 | 21,500 | 21,005 |
| 2011 | 0 | 0 | 21,500 | 19,425 |
| 2012-2016 | 0 | 0 | 107,500 | 73,501 |
| 2017-2021 | 0 | 0 | 107,500 | 33,924 |
| 2022-2025 | 0 | 0 | 37,625 | 2,534 |
| Totals | <u>\$ 10,754</u> | <u>\$ 1,275</u> | <u>\$ 360,125</u> | <u>\$ 222,957</u> |

NOTE 7: 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 Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS 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 2006 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. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of OPERS participants' gross salaries for 2006. The Village has paid all contributions required through December 31, 2006.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2006**

NOTE 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
- Employers Liability; and
- Law Enforcement Liability

NOTE 9: JOINTLY GOVERNED ORGANIZATIONS

A. Twin Village 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 2006, \$4,370 was paid to the District by the Village.

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 2006, 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 2006, no monies were paid to the Corporation by the Village.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2006**

NOTE 9: JOINTLY GOVERNED ORGANIZATIONS (Continued)

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. During 2006, \$329 was paid to the Commission by the Village.

February 20, 2007

Mayor and Members of 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, 2006, and have issued our report thereon dated February 20, 2007. 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 as a basis for designing auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected in the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting and its operation that we consider to be material weaknesses, as defined above. However, we 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 February 20, 2007.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village of Dennison in a separate letter dated February 20, 2007.

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

Rea & Associates, Inc.

February 20, 2007

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 each of its major federal programs for the year ended December 31, 2006. 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 each of its major federal programs 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circulars 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.

As described in item 2006-001 in the accompanying schedule of findings and questioned costs, the Village did not comply with requirements regarding allowed costs that are applicable to its Highway and Planning Construction program. Compliance with such requirements is necessary, in our opinion, for the Village to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Village complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the Village of Dennison 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 a 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

We have audited the financial statements of the Village of Dennison as of and for the year ended December 31, 2006, and have issued our report thereon dated February 20, 2007. 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 is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements of the Village of Dennison. 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 solely for the information and use of the Village Council, management and federal awarding agencies and pass-through entities 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 AND QUESTIONED COSTS
DECEMBER 31, 2006**

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)? | No |
| (d) (1) (ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d) (1) (iii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | No |
| (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 | Qualified |
| (d) (1) (vi) | Are there any reportable findings under Section 510(a) of Circular A-133? | Yes |
| (d) (1) (vii) | Major Programs (list): | Highway Planning and Construction – CFDA #20.205 |
| (d) (1) (viii) | Dollar Threshold: Type A/B Programs | Type A: >\$300,000 Type B: All others |
| (d) (1) (ix) | Low Risk Auditee? | No |

VILLAGE OF DENNISON
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2006

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

| | |
|----------------|------------|
| FINDING NUMBER | 2006 – 001 |
|----------------|------------|

Material Non-compliance

Program Information:

CFDA #20.205 – Highway Planning and Construction
U.S. Department of Transportation
Passed through Ohio Department of Transportation

Criteria:

The LPA Federal Local-Let Project Agreement states allowed costs for this grant are 80% of the eligible costs.

Condition:

Federal amounts awarded for payment requests submitted in 2006 were \$40,482 in excess of what should have been paid. The first two payment requests submitted were calculated incorrectly and the fifth request was paid at 100% rather than the 80% allowed by the contract. These errors have caused an overpayment of federal funds.

Context:

We reviewed 100% of the payment requests submitted, 10 requests in all, to determine if the proper amount of federal funds was paid on the contract with Wood Electric for the Dennison Depot Museum Project. Three of the requests were inaccurately calculated and paid (approximately 27 percent of requests). The total amount billed for the grant in 2006 was \$735,315. At 80% the federal share should have been \$588,252. The actual amount of federal funds paid for this contract was \$628,734.

Questioned Costs:

The federal payments were \$40,482 in excess of the amount that should have been paid.

Effect:

Although there have been overpayments on bills submitted to date there is still an opportunity to correct the error as the project has not been completed and all funds have not been drawn down.

Recommendation:

These errors indicate the controls in place, signatures of the administrator, contractor and Mayor of Dennison and review by ODOT failed in three of the 10 payments requests for this contract. At each level the request should be recalculated to determine if the amount requested is correct. When the Village is notified of the amount paid directly to the contractor from ODOT, they should compare this amount to the copy of the request in the Village files.

VILLAGE OF DENNISON
TUSCARAWAS COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006

| FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title | Federal CFDA Number | Grant/ Pass-Through Entity Number | Grant Award | Disbursements |
|--|---------------------------|---|----------------|--------------------------|
| <u>U.S. Department of Transportation</u> | | | | |
| <i>Passed through Ohio Department of Transportation</i> | | | | |
| Highway Planning & Construction (Enhancement Program) | 20.205 | 78795 | \$ 829,630 | \$ 653,534 |
| <u>U.S. Department of Commerce</u> | | | | |
| <i>Direct Award</i> | | | | |
| Economic Development Administration | 11.300 | 06-02-04781 | 453,093 | 6,109 |
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| <i>Passed through Tuscarawas County Office of Community & Economic Development</i> | | | | |
| CDBG Formula Grant | 14.228 | B-F-05-072-1 | 74,100 | <u>74,100</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | | <u>\$ 733,743</u> |

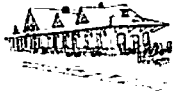
Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the Village's federal awards programs. The schedule has been prepared on the cash basis of accounting.

VILLAGE OF DENNISON
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|-----------------------|---|-------------------------|--|
| 2005-001 | 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. | Yes | |
| 2005-002 | Ohio Rev. Code Section 5705.41(D) states "super blanket" certificates may only be issued for certain items – the Village issues for almost all expenses. | Partially | Working on correcting with only a few exceptions in 2006, moved to management letter. |
| 2005-003 | Ohio Rev. Code Section 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer. The fiscal officer is not signing the certification. | Yes | |

Village of Dennison



Dennison Railroad Depot Museum

PAUL J. COLLINS, Mayor

-EXECUTIVE OFFICE-

P.O. BOX 147

302 GRANT STREET

DENNISON, OHIO 44621-0147

FAX (740) 922-0576



Home of the Railroad Festival

ALICE TORCH, Clerk

March 16, 2007

Rea & Associates
P.O. Box 1020
New Philadelphia, Ohio 44663

RE: Finding Number 2006-001 – Corrective Action

To Whom It May Concern,

The Clerk of the Village of Dennison will be meeting with Wendy Zucal, Dennison Depot Museum Director and Mr. Dick Fisher, Consultant. They will review all Invoices concerning Program CFDA #20.205 – Highway Planning and Construction, U.S. Department of Transportation, along with a representative from Ohio Department of Transportation to discuss and adjust payments of Federal monies.

This review will locate the eighty per - cent (80%) of Federal Funds which should have been used to complete the Project.

Thank you for your time and consideration with this matter.

Sincerely,

Paul J. Collins
Mayor



Mary Taylor, CPA
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
MAY 10, 2007**