

Village of Dennison
Audited Financial Statements

December 31, 2010



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.



Dave Yost • 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, 2010 through December 31, 2010. 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 "Dave Yost".

Dave Yost
Auditor of State

June 9, 2011

This Page is Intentionally Left Blank.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

DECEMBER 31, 2010

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types for the Year Ended December 31, 2010	3
Notes to the Financial Statements	4-10
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	11-12
Schedule of Prior Audit Findings	13

This Page is Intentionally Left Blank.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

May 24, 2011

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), Tuscarawas County, as of and for the year ended December 31, 2010. These financial statements are the responsibility of the Government'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides 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 (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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, 2010 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, 2010, 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 as of December 31, 2010, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

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 May 24, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered 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, 2010

	General	Special Revenue	Capital Projects	(Memorandum Only) Total
CASH RECEIPTS:				
Property and Other Local Taxes	\$ 801,872	\$ 56,976	\$ 0	\$ 858,848
Intergovernmental Revenue	239,757	128,388	0	368,145
Charges For Services	28,600	3,723	0	32,323
Fines, Licenses and Permits	7,795	0	0	7,795
Interest	2,895	151	0	3,046
Miscellaneous	58,021	1,343	0	59,364
Total Cash Receipts	1,138,940	190,581	0	1,329,521
CASH DISBURSEMENTS:				
Current:				
Security of Persons	630,775	5,902	0	636,677
Public Health Services	0	42,835	0	42,835
Leisure Time Activities	8,411	18,625	0	27,036
Community Environment	15,423	0	0	15,423
Basic Utility Services	22,397	0	0	22,397
Transportation	0	154,687	0	154,687
General Government	252,479	0	0	252,479
Capital Outlay	6,648	125	0	6,773
Debt Service:				
Redemption of Principal	79,833	0	0	79,833
Interest and Other Finance Charges	20,943	0	0	20,943
Total Cash Disbursements	1,036,909	222,174	0	1,259,083
Total Cash Receipts Over (Under) Cash Disbursements	102,031	(31,593)	0	70,438
OTHER FINANCING RECEIPTS (DISBURSEMENTS):				
Other Financing Sources	0	221	0	221
Transfers - In	0	70,000	0	70,000
Transfers - Out	(70,000)	0	0	(70,000)
Total Other Financing Receipts (Disbursements)	(70,000)	70,221	0	221
Total Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	32,031	38,628	0	70,659
FUND CASH BALANCES, January 1, 2010	354,691	214,245	21	568,957
FUND CASH BALANCES, December 31, 2010	\$ 386,722	\$ 252,873	\$ 21	\$ 639,616
RESERVE FOR ENCUMBRANCES	\$ 3,838	\$ 513	\$ 0	\$ 4,351

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

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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

- Twin City Water and Sewer District
- Uhrichville-Dennison-Union Mill Cemetery
- Community Improvement Corporation of Tuscarawas County
- Tuscarawas County Regional Planning Commission

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 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:

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects.

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 2010 budgetary activity appears in Note 3.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2010**

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 \$639,616.

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 year ended December 31, 2010 is as follows:

<u>Fund Type</u>	<u>2010 Budgeted vs. Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General	\$ 1,138,940	\$ 1,138,940	\$ 0
Special Revenue	260,802	260,802	0
Capital Projects	0	0	0
Total	\$ 1,399,742	\$ 1,399,742	\$ 0

<u>Fund Type</u>	<u>2010 Budgeted vs. Actual Budgetary Basis Expenditures</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	
General	\$ 1,100,748	\$ 1,110,747	\$ (9,999)
Special Revenue	254,261	222,687	31,574
Capital Projects	0	0	0
Total	\$ 1,355,009	\$ 1,333,434	\$ 21,575

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2010**

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, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Industrial Park Improvement Note	\$ 274,126	2.25%
Logan Street Project Notes	<u>233,333</u>	3.55 – 5.37%
Total	<u>\$ 507,459</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%. The Industrial Park Improvement note matures in 2023.

In November 2008, the Village of Dennison obtained a loan for the Logan Street project in the amount of \$350,000 from the First National Bank of Dennison. The loan is set up as a series of 6 different notes maturing in each of the next six years. Interest rates range from 3.55% to 5.37%.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2010**

NOTE 6: DEBT (Continued)

Amortization of the above debt is scheduled as follows. The Village receives an updated amortization schedule each year from the bank since the interest rates are variable:

Year ending 31-Dec	Logan Street Note Principal	Logan Street Note Interest	Industrial Park Imp. Note Principal	Industrial Park Imp. Interest
2011	\$ 58,333	\$ 11,917	\$ 21,500	\$ 6,028
2012	58,333	9,193	21,500	5,554
2013	58,333	6,240	21,500	5,047
2014	58,334	3,176	21,500	4,557
2015	0	0	21,500	4,067
2016-2020	0	0	107,500	12,991
2021-2025	0	0	59,126	1,645
Totals	<u>\$ 233,333</u>	<u>\$ 30,526</u>	<u>\$ 274,126</u>	<u>\$ 39,889</u>

NOTE 7: RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2010, OP&F participants contributed 10% of their wages. For 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages. For 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2010**

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

Settled claims have not exceeded this commercial coverage in any of the past three years. Also, the Village did not significantly reduce their limits of liability during the year.

NOTE 9: 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 2010, \$6,110 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 2010, 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 2010, no monies were paid to the Corporation by the Village.

**VILLAGE OF DENNISON
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2010**

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 2010, no monies were paid to the Commission by the Village.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

May 24, 2011

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, 2010, and have issued our report thereon dated May 24, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Village of Dennison
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*
May 24, 2011
Page 2

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

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*.

We noted certain matters that we have reported to management of the Village in a separate letter dated May 24, 2011.

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

Rea & Associates, Inc.

VILLAGE OF DENNISON
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2009-001	There were a number of misposted receipts on the Village's books particularly in property tax and intergovernmental revenues requiring fund balance realignment.	No	Partially corrected - Village uses settlement sheets and guidance included in UAN handbook to properly post receipts. Clerk Treasurer is also reviewing receipts and account codings. There were still a small number of misspostings in 2010, but none requiring fund realignment.

This Page is Intentionally Left Blank.



Dave Yost • Auditor of State

VILLAGE OF DENNISON

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 23, 2011