

Village of Dunkirk

Hardin County

January 01, 2008 through December 31, 2009

Years Audited Under GAGAS: 2008 and 2009

**CAUDILL & ASSOCIATES, CPA'S**

725 5<sup>TH</sup> Street

Portsmouth, OH 45662





# Mary Taylor, CPA

Auditor of State

Members of Council  
Village of Dunkirk  
201 North Main St.  
Dunkirk, Ohio 45836

We have reviewed the *Independent Auditor's Report* of the Village of Dunkirk, Hardin County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2008 through December 31, 2009. 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 Dunkirk is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 5, 2010

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**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

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## Independent Auditor's Report

Village of Dunkirk  
Hardin County  
201 North Main Street  
Dunkirk, Ohio 45836

To the Village Council:

We have audited the accompanying financial statements of Village of Dunkirk, Hardin County, (the Village) as of and for the years ended December 31, 2009 and 2008. 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 the Comptroller General of the United States' *Government Auditing Standards*. 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 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 years ended December 31, 2009 and 2008 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, 2009 and 2008, or its changes in financial position, or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Dunkirk, Hardin County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Village of Dunkirk  
Hardin County

Independent Auditor's Report (Continued)

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.

As noted in the prior audit and discussed in Note 11, The Village's former treasurer issued checks totaling \$52,000 to himself in 2008. These payments were not supported by documentation indicating any service was provided authorized by the Village Council or for a purpose related to the Village's operations. The total amount was reclassified, and shown on the accompanying financial statements as extraordinary item expenditures.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2010, 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*. You should read it in conjunction with this report in assessing the results of our audit.

*Caudill & Associates, CPAs*

Caudill & Associates, CPA's

July 24, 2010

**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES  
FOR THE YEARS ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		Totals
	General	Special Revenue	(Memorandum Only)
<b><u>Cash Receipts:</u></b>			
Property and Other Taxes	\$ 14,184	\$ -	\$ 14,184
Municipal Income Taxes	51,317	-	51,317
Charges for Services	-	650	650
Intergovernmental Receipts	30,350	43,629	73,979
Fines Licenses & Permits	7,010	-	7,010
Earnings on Investments	4,089	75	4,164
Miscellaneous	2,333	2,154	4,487
Total Cash Receipts	<u>109,283</u>	<u>46,508</u>	<u>155,791</u>
<b><u>Disbursements:</u></b>			
Security of Persons and Property	11,300	-	11,300
Public Health Services	8,616	-	8,616
Leisure Time Activities	2,438	3,753	6,191
Community Environment	940	-	940
Basic Utility Services	1,270	3,287	4,557
Transportation	1,494	38,006	39,500
General Government	59,993	-	59,993
Capital Outlay	2,468	4,199	6,667
Debt Services:			
Principal Payment	75,000	-	75,000
Interest and Fiscal Charges	4,676	-	4,676
Total Cash Disbursements	<u>168,195</u>	<u>49,245</u>	<u>217,440</u>
Total Receipts Over (Under) Disbursements	<u>(58,912)</u>	<u>(2,737)</u>	<u>(61,649)</u>
<b><u>Other Financing Receipts (Disbursements):</u></b>			
Transfers-In	-	10,562	10,562
Transfers-Out	(24,158)	-	(24,158)
Extraordinary Item	7,022	27,085	34,107
Other Financing Uses	(800)	-	(800)
Total Other Financing Receipts (Disbursements)	<u>(17,936)</u>	<u>37,647</u>	<u>19,711</u>
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Disbursements	(76,848)	34,910	(41,938)
Fund Cash Balance, January 1	<u>192,770</u>	<u>21,939</u>	<u>214,709</u>
Fund Cash Balance, December 31	<u>\$ 115,922</u>	<u>\$ 56,849</u>	<u>\$ 172,771</u>

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



**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>PROPRIETARY FUND TYPE</b>
	Enterprise
<b><i>Operating Cash Receipts:</i></b>	
Charges for Services	\$ 325,041
Total Operating Cash Receipts	325,041
<b><i>Operating Cash Disbursements:</i></b>	
Personal Services	40,045
Fringe Benefits	6,039
Contractual Services	79,078
Supplies and Materials	17,753
Miscellaneous	967
Total Operating Cash Disbursements	143,882
Operating Income / (Loss)	181,159
<b><i>Non-Operating Cash Receipts:</i></b>	
Intergovernmental	361,120
Other Debt Proceeds	9,718
Extraordinary item	66,173
Total Non-Operating Cash Receipts	437,011
<b><i>Non-Operating Cash Disbursements:</i></b>	
Capital Outlay	(475,883)
Debt Service - Principal	(49,837)
Debt Service - Interest	(3,315)
Total Non-Operating Cash Disbursements	(529,035)
Excess of Receipts Over/ (Under) Disbursements Before Interfund Transfers and Advances	89,135
Transfers-In	13,596
Net Receipts Over/(Under) Disbursements	102,731
Fund Cash Balances, January 1	180,382
Fund Cash Balances, December 31	\$ 283,113

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

**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<b><u>Cash Receipts:</u></b>			
Property and Other Taxes	\$ 12,946	\$ -	\$ 12,946
Municipal Income Taxes	58,093	-	58,093
Intergovernmental Receipts	26,691	39,128	65,819
Fines Licenses & Permits	2,899	-	2,899
Earnings on Investments	9,628	-	9,628
Miscellaneous	8,429	-	8,429
	<u>118,686</u>	<u>39,128</u>	<u>157,814</u>
<b><u>Disbursements:</u></b>			
Security of Persons and Property	12,820	-	12,820
Public Health Services	11,221	-	11,221
Leisure Time Activities	8,974	-	8,974
Community Environment	738	-	738
Basic Utility Services	575	163	738
Transportation	4,757	17,183	21,940
General Government	81,972	-	81,972
Capital Outlay	-	2,539	2,539
	<u>121,057</u>	<u>19,885</u>	<u>140,942</u>
Total Receipts Over (Under) Disbursements	<u>(2,371)</u>	<u>19,243</u>	<u>16,872</u>
<b><u>Other Financing Receipts (Disbursements):</u></b>			
Other Debt Proceeds	75,000	-	75,000
Transfers-Out	(1,001)	-	(1,001)
Advances-In	3,009	-	3,009
Advances - Out	(3,009)	-	(3,009)
Extraordinary Items- Questionable expenditures	16,600	(21,500)	(4,900)
	<u>90,599</u>	<u>(21,500)</u>	<u>69,099</u>
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Disbursements	88,228	(2,257)	85,971
Fund Cash Balance, January 1	<u>104,542</u>	<u>24,196</u>	<u>128,738</u>
Fund Cash Balance, December 31	<u>\$ 192,770</u>	<u>\$ 21,939</u>	<u>\$ 214,709</u>

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

**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>PROPRIETARY FUND TYPE</b>
	Enterprise
<b><i>Operating Cash Receipts:</i></b>	
Charges for Services	\$ 244,976
Fines, Licenses and Fees	300
Total Operating Cash Receipts	245,276
<b><i>Operating Cash Disbursements:</i></b>	
Personal Services	36,742
Fringe Benefits	5,538
Contractual Services	75,535
Supplies and Materials	16,778
Miscellaneous	714
Total Operating Cash Disbursements	135,307
Operating Income / (Loss)	109,969
<b><i>Non-Operating Cash Receipts:</i></b>	
Intergovernmental	13,378
Other Debt Proceeds	77,832
Total Non-Operating Cash Receipts	91,210
<b><i>Non-Operating Cash Disbursements:</i></b>	
Capital Outlay	(96,514)
Debt Service - Principal	(49,081)
Debt Service - Interest	(4,027)
Extraordinary item - Questionable expenditures	(26,500)
Total Non-Operating Cash Disbursements	(176,122)
Excess of Receipts Over/ (Under) Disbursements Before Interfund Transfers and Advances	25,057
Transfers-In	1,001
Advances-In	10,009
Advances-Out	(10,009)
Net Receipts Over/(Under) Disbursements	26,058
Fund Cash Balances, January 1	154,324
Fund Cash Balances, December 31	\$ 180,382

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

**VILLAGE OF DUNKIRK  
HARDIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Dunkirk, Hardin County, (the Village), as a body corporate and politic. A publicly-elected six member Council governs the Village. The Village provides water and sewer utilities, and park operations (leisure time activities). The Village appropriates General Fund money to help support a volunteer fire department and contracts with the Blanchard Dunkirk Ambulance District for emergency medical services.

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

**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.

**B. Cash and Investments**

Investments are reported as assets. 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. Certificates of deposit are valued at cost.

**C. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Enterprise Funds**

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

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

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

**Water Tower Fund** - This fund receives grant and loan proceeds from the Ohio Water Development Authority to finance a water tower replacement project. A utility surcharge recorded in this fund will repay loan proceeds from this fund.

**D. 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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 individual commitments are made. Encumbrances outstanding at year end are cancelled and re-appropriated in the subsequent year.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**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 on the accompanying financial statements.

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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

	<b>2009</b>	<b>2008</b>
Demand deposits	\$264,909	\$172,568
Certificates of deposit	190,975	222,523
Total deposits and investments	\$455,884	\$395,091

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Village.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

**2009 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$124,262	\$116,305	(\$7,957)
Special Revenue	100,378	84,155	(16,223)
Enterprise	999,592	775,648	(223,944)
Total	\$1,224,232	\$976,108	(\$248,124)

**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

**2009 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$307,996	\$193,153	\$114,843
Special Revenue	67,459	49,245	18,214
Enterprise	1,064,690	672,917	391,773
<b>Total</b>	<b>\$1,440,145</b>	<b>\$915,315</b>	<b>\$524,830</b>

**2008 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$200,190	\$213,295	\$13,105
Special Revenue	42,500	39,128	(3,372)
Enterprise	572,954	347,496	(225,458)
<b>Total</b>	<b>\$815,644</b>	<b>\$599,919</b>	<b>(\$215,725)</b>

**2008 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$207,397	\$125,067	\$82,330
Special Revenue	66,550	41,385	25,165
Enterprise	710,611	321,438	389,173
<b>Total</b>	<b>\$984,558</b>	<b>\$487,890</b>	<b>\$496,668</b>

**4. PROPERTY TAX**

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

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

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

**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**5. LOCAL INCOME TAX**

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Income Tax payments to the Village were \$51,317 and \$58,093 for 2009 and 2008, respectively.

**6. DEBT**

Debt outstanding at December 31, 2009 was as follows:

Loan Description	Principal	Interest Rate
Ohio Water Development Authority # 2652	\$29,727	2.00%
Ohio Water Development Authority # 1547	28,074	7.86%
Ohio Water Development Authority # 4600	319,203	4.82%
Ohio Public Works Commission Loan CP012	42,497	0%
Ohio Public Works Commission Loan CP08H	147,949	0%
Total	\$567,450	

The Ohio Water Development Authority (OWDA) loans relate to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. OWDA loan #2652 was entered into on July 1, 1988, in the amount of \$201,234. The loan will be repaid in semiannual installments of \$5,154 over 25 years with final maturity scheduled for January 1, 2013. OWDA loan #1547 was entered into on July 1, 1988, in the amount of \$119,507. The loan will be repaid in semi-annual installments of \$5,408 over 25 years with final maturity scheduled for January 1, 2013. The OWDA loans are collateralized by sewer receipts.

The OWDA loan # 4600 relates to the installation of a new sanitary sewer lines a new storm sewer within the Village. The loan was entered into on 10/26/2006 for \$360,000. At 12/31/2009, only \$345,485 was disbursed and outstanding. The Loan will be paid semi-annually installments of \$9,000, over four years and with a final lump-sum payment at maturity of \$279,000 (principal) and 476,997 (Interest), at maturity scheduled for July 1, 2012. The OWDA loan is collateralized by sewer receipts.

The Ohio Public Works Commission (OPWC) loan CP012, entered into on July 1, 1996 in the amount of \$99,900 at 0% interest, relates to a waterline and brine tank replacement project. The loan will be repaid in semiannual installments of \$2,500, over 20 years with final maturity scheduled for July 1, 2017. The loan is collateralized by water receipts.

The OPWC loan CP08H, entered into on July 1, 2004 in the amount of \$184,937 at 0% interest, relates to a water tower replacement project. The loan will be repaid in semiannual installments of \$4,623, over 20 years with final maturity scheduled for January 1, 2026. The loan is collateralized by water receipts.

The Village contracted a loan in 2008 with Liberty Savings Bank for \$75,000. The loan was paid in full in 2009.



**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**6. DEBT (Continued)**

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

Year Ending	OWDA # 2652	OWDA # 1547	OWDA # 4600	OPWC # CP012	OPWC # CP08H	Total
2010	\$ 10,307	\$ 12,815	\$ 18,000	\$ 5,000	\$ 9,247	\$ 55,369
2011	10,307	12,815	18,000	5,000	9,247	55,369
2012	10,307	12,815	364,997	5,000	9,247	402,366
2013	0	0	0	5,000	9,247	14,247
2014	0	0	0	5,000	9,247	14,247
2015-2019	0	0	0	17,497	46,235	63,732
2020-2024	0	0	0	0	46,235	46,235
2025	0	0	0	0	9,244	9,244
Total	<u>\$ 30,921</u>	<u>\$ 38,445</u>	<u>\$ 400,997</u>	<u>\$42,497</u>	<u>\$ 147,949</u>	<u>\$ 660,809</u>

**7. RETIREMENT SYSTEMS**

**Ohio Public Employees Retirement System (OPERS)**

Village officials and employees belong to OERS of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides 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 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participant's gross salaries. The Village has paid all contributions required through December 31, 2009.

**8. RISK MANAGEMENT**

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP. If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned reinsurance agreements do not discharge PEP's primary liability for payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government. Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Net Assets	<u>\$20,459,329</u>	<u>\$20,219,246</u>

**9. JOINTLY GOVERNED ORGANIZATION**

The Blanchard-Dunkirk Ambulance District is a jointly-governed organization consisting of Blanchard Township and the Village of Dunkirk, Hardin County, Ohio. The District is governed by a board of trustees consisting of one representative from each entity. The degree of control exercised by any participating entity is limited to its representation on the board. Operating funds for the District are provided from charges assessed for services of the District. The Village provides no other funds to the District. Financial information may be obtained from Kathy Schroeder, Clerk, Blanchard Dunkirk Ambulance District, Hardin County, P.O. Box 95, 101 South Main Street, Dunkirk, Ohio 45836.

The Northern Hardin County Fire District is a jointly-governed organization consisting of two Townships (Blanchard and Washington) and the Village of Dunkirk, Hardin County, Ohio. The District is governed by a board of trustees consisting of one representative from each Township and the Village. The degree of control exercised by any participating entity is limited to its representation on the board. Operating funds for the District are provided from property taxes assessed against property owners located within the townships and the Village making up the District and charges assessed for services of the District. The Village provides no other funds to the District. Financial information may be obtained from Kathy Schroeder, Clerk, Northern Hardin Fire District, Hardin County, 121 South Buckeye Street, Dunkirk, Ohio 45836.

**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**9. JOINTLY GOVERNED ORGANIZATION (Continued)**

The Hardin County Regional Planning Commission (the Commission) is a jointly-governed organization consisting of twenty-five subdivisions in Hardin County. The Board consists of representatives from participating political subdivisions, the county commissioners, and appointed citizens. Financial information may be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

**10. COMPLIANCE**

Contrary to the Ohio Revised Code Section 5705.36, the Village had appropriations in excess of its available resources defined as prior year unencumbered balances plus actual receipts.

Contrary to the Ohio Revised Code Section 5705.41(D), the Village did not certify the availability of funds prior to several expenditures in 2008 and 2009.

**11. QUESTIONABLE EXPENDITURES/ EXTRORDINARY ITEMS**

As also noted in the prior audit report, the Former Village's Treasurer, Thomas L. Foltz wrote 14 checks to himself totaling \$52,000 in 2008, and deposited them in his personal bank account.

Mr. Foltz posted these payments to the Village's accounting system. However, the payments were not supported by documentation indicating any service was provided, authorized by the Village Council or for a purpose related to the Village's operations.

The total of \$52,000 in 2008 was reclassified and presented in the financial statements as extraordinary items.

In 2009 and 2008, the Village was able to recover \$120,600 of the \$145,600 questionable expenditures relating to Mr. Foltz case reported in 2007 and 2008. The receipts were credited to extraordinary items of the funds where the monies had been expended.

**12. SUBSEQUENT EVENTS**

There were no occurrences subsequent to the financial statement date that required disclosure.



## Caudill & Associates, CPAs

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### **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***

Village of Dunkirk  
Hardin County  
201 North Main Street  
Dunkirk, Ohio 45836

To the Village Council:

We have audited the financial statements of Village of Dunkirk, Hardin County, Ohio (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 24, 2010, 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 the Comptroller General of the United States' *Government Auditing Standards*.

#### **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 our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a 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 timely corrected. We consider findings 2009-002 through 2009-004 described in the accompanying schedule of findings and responses to be material weaknesses.

Village of Dunkirk  
Hardin County

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 (Continued)

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under Government Auditing Standards which are described in the accompanying Schedule of Findings and Responses as items No. 2009-001 and 2009-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 24, 2010.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management and Village Council. We intend it for no one other than these specified parties.

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's

July 24, 2010

**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2009 AND 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-001**

**Noncompliance Citation – Ohio Rev. Code Section 5705.36**

Ohio Rev. Code Section 5705.36 states that upon determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

Notification of reduced receipts, resulting in resources below the level of current appropriations, was not made to the commission as required. Appropriations were greater than resources available for the General Fund, Parks Recreation, Enterprise Improvement Clear-Well, Enterprise Improvement Sewer Separation and Enterprise Debt for 2009, and the Street Fund, Enterprise Improvement Sewer Separation and the Enterprise Improvement Waterline fund for 2008.

We recommend the Village monitor budgetary financial reports throughout the year to prevent budgetary expenditures from exceeding available resources.

**Village Response:**

The Village will monitor budgetary expenditures more closely to ensure compliance with budgetary laws.

**FINDING NUMBER 2009-002**

**Material Weaknesses-Noncompliance Citation – Ohio Rev. Code Section 5705.41 (D)**

Ohio Rev. Code Section 5705.41 (D) (1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D)

(1): Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of the “then and now” certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2009 AND 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-002 (Continued)**

**Material Weaknesses-Noncompliance Citation – Ohio Rev. Code Section 5705.41 (D) (Continued)**

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

(2): Blanket certificate – Fiscal officer may prepare “blanket” certificates not exceeding \$44,000 (an amount established by resolution or ordinance adopted by the legislative authority, effective September 26, 2003) against any specific line item account over a period not exceeding three month (three month limitation was eliminated effective September 26, 2003) or running beyond the current year. The blanket certificates may be outstanding at one particular time for any one particular line item appropriation.

(3): Super Blanket certification – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonable predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

In 2008 testing, C&A could not locate the signed purchase orders for 12 out of 43 of the disbursements sampled. Moreover, 4 out of 43 samples were not supported by invoices or other documents to provide the proof of the amounts the Village owed in order to certify the funds to pay off. Consequently 27 out of 43 disbursements sampled were not encumbered timely.

In 2009 testing, C&A noted that 5 out of the 41 disbursement sampled were not encumbered timely.

Council did not establish limits on blanket purchase orders.

Lack of proper certification of funds could lead to misappropriation of Village funds.

We recommend the Village monitor the non-payroll disbursement procedure closely and make sure all expenditures are certified and encumbered before payments are made.

**Village Response:**

The Village will monitor the disbursement procedures more closely to ensure that all expenditures are certified and encumbered before payments are made.

**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2009 AND 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-003**

**Material Weakness – Failure to properly post receipts**

All receipts should be posted in accordance with the Auditor of State account codes and in the proper object class.

During 2008 and 2009, the Village erroneously posted debt proceeds and Charges for Services for General and Enterprise Funds.

We recommend the Village implement control procedures related to financial reporting that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

**Village Response:**

The Village will ensure that all postings are made appropriately.

**FINDING NUMBER 2009-004**

**Material Weakness – Questionable Payments to Former Treasurer**

As noted in the prior audit report, during a test of non-payroll disbursements, several large disbursements in the name of the Clerk were noted beginning in January and continuing through April 2008. Further investigation revealed no supporting documentation such as invoices, purchase orders, or check stubs; however, all disbursements were able to be traced to the Village bank statements. Per review of the minutes, none of the disbursements made to the Clerk were approved by Council. All checks disbursed on behalf of the Village are required to be signed by both the Clerk and Mayor. All checks disbursed to the Clerk included both signatures; however, the Mayor stated her signature was forged by the Clerk.

In 2008, the former Village Clerk wrote 14 checks to himself totaling \$52,000. None of the checks in question were for payments supported by any sort of documentation indicating whether a service was provided to the Village, or that they were authorized by the Village Council.

These questionable payments were the direct result of a lack of segregation of duties, and the inexistence of adequate controls over financial operations and procedures.

All disbursements made by the Village should be for a proper public purpose and approved by Council. Furthermore, all supporting documentation should be maintained for each disbursement that is made. The lack of proper controls procedures in place concerning the disbursement process may result in great financial loss from theft and other misuse of funds.



**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2009 AND 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-004 (Continued)**

**Material Weakness – Questionable Payments to Treasurer (Continued)**

The Village should establish, implement, and monitor a system of internal controls to provide reasonable assurance that all disbursements made on behalf of the Village are for a proper public purpose. Council should approve all disbursements and supporting documentation (i.e. invoices, purchase orders, cancelled checks, etc.) should be maintained. The Village should also implement adequate segregation of duties.

**Village Response:**

As a result of prior audit findings and recommendations, The Village Council and the Mayor have implemented necessary controls and procedures to safeguard public assets. The fiscal officer has since been replaced with an experienced clerk. The Mayor and President of the Board of Public Affairs have been given specific duties regarding the oversight of daily operations. The Finance Committee and Council now review monthly reports, reconciliations, receipts, and expenses to help assure proper internal control and budgetary oversight is accomplished and documented. The finance committee also audits random transactions to ensure timely posting and reasonableness.

**Village of Dunkirk**  
**Hardin County**  
*Schedule of Prior Audit Findings*  
*For the Fiscal Years Ended December 31, 2009 and 2008*

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	ORC Section – 5705.36	No	Repeated as Finding 2009-001
2007-002	ORC Section – 5705.41(D)	No	Repeated as Finding 2009-002
2007-003	ORC Section – 5705.41(B)	Yes	
2007-004	Income Tax Systems	Yes	
2007-005	Proper recording of revenues	No	Repeated as Finding 2009-003
2007-006	Financial Control Procedures	Yes	
2007-007	Segregation of Duties	Yes	
2007-008	Questionable Expenditures	No	Repeated as Finding 2009-004



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF DUNKIRK**

**HARDIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 18, 2010**