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Dave Yost • Auditor of State

VILLAGE OF DUNKIRK
HARDIN COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of Dunkirk
Hardin County
P. O. Box 115
Dunkirk, Ohio 45836

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Dunkirk, Hardin County, (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Dunkirk, Hardin County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016, 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 internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Dave Yost
Auditor of State
Columbus, Ohio

November 29, 2016

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Totals (Memorandum Only)</u> |
|---|------------------|----------------------------|-----------------------------|---|
| Cash Receipts: | | | | |
| Property and Other Local Taxes | \$11,143 | | | \$11,143 |
| Municipal Income Tax | 78,488 | | | 78,488 |
| Intergovernmental | 18,145 | \$37,663 | | 55,808 |
| Special Assessments | 8,114 | | | 8,114 |
| Charges for Services | | 1,701 | | 1,701 |
| Fines, Licenses and Permits | 4,355 | | | 4,355 |
| Earnings on Investments | 344 | 16 | | 360 |
| Miscellaneous | 9,184 | 1,100 | | 10,284 |
| Total Cash Receipts | <u>129,773</u> | <u>40,480</u> | | <u>170,253</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 18,921 | | | 18,921 |
| Public Health Services | 7,763 | | | 7,763 |
| Leisure Time Activities | 6,742 | 3,067 | | 9,809 |
| Community Environment | 7,897 | | | 7,897 |
| Transportation | 6,113 | 30,146 | | 36,259 |
| General Government | 71,753 | | | 71,753 |
| Total Cash Disbursements | <u>119,189</u> | <u>33,213</u> | | <u>152,402</u> |
| Excess of Receipts Over Disbursements | <u>10,584</u> | <u>7,267</u> | | <u>17,851</u> |
| Other Financing (Disbursements): | | | | |
| Other Financing Uses | <u>(91)</u> | | | <u>(91)</u> |
| Net Change in Fund Cash Balances | 10,493 | 7,267 | | 17,760 |
| Fund Cash Balances, January 1 | <u>132,665</u> | <u>52,401</u> | <u>\$1</u> | <u>185,067</u> |
| Fund Cash Balances, December 31: | | | | |
| Restricted | | 56,754 | 1 | 56,755 |
| Committed | | 2,914 | | 2,914 |
| Unassigned | 143,158 | | | 143,158 |
| Fund Cash Balances, December 31 | <u>\$143,158</u> | <u>\$59,668</u> | <u>\$1</u> | <u>\$202,827</u> |

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

VILLAGE OF DUNKIRK
HARDIN COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

| | |
|--|-------------------------|
| Operating Cash Receipts: | |
| Charges for Services | <u>\$331,888</u> |
| Operating Cash Disbursements: | |
| Personal Services | 61,080 |
| Employee Fringe Benefits | 8,649 |
| Contractual Services | 110,972 |
| Supplies and Materials | 14,485 |
| Other | 2,300 |
| Total Operating Cash Disbursements | <u>197,486</u> |
| Operating Income | <u>134,402</u> |
| Non-Operating Receipts (Disbursements): | |
| Special Assessments | 4,984 |
| Miscellaneous Receipts | 1,959 |
| Capital Outlay | (10,695) |
| Principal Retirement | (58,034) |
| Interest and Other Fiscal Charges | (80,531) |
| Total Non-Operating Receipts (Disbursements) | <u>(142,317)</u> |
| Net Change in Fund Cash Balances | (7,915) |
| Fund Cash Balances, January 1: | <u>572,507</u> |
| Fund Cash Balances, December 31: | <u><u>\$564,592</u></u> |

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

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Totals (Memorandum Only)</u> |
|---|------------------|----------------------------|-----------------------------|---|
| Cash Receipts: | | | | |
| Property and Other Local Taxes | \$11,980 | | | \$11,980 |
| Municipal Income Tax | 84,067 | | | 84,067 |
| Intergovernmental | 15,262 | \$38,485 | | 53,747 |
| Special Assessments | 3,490 | | | 3,490 |
| Charges for Services | | 1,050 | | 1,050 |
| Fines, Licenses and Permits | 4,685 | | | 4,685 |
| Earnings on Investments | 432 | 14 | | 446 |
| Miscellaneous | 9,902 | 366 | | 10,268 |
| Total Cash Receipts | <u>129,818</u> | <u>39,915</u> | | <u>169,733</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 16,537 | | | 16,537 |
| Public Health Services | 7,756 | | | 7,756 |
| Leisure Time Activities | 16,842 | 1,750 | | 18,592 |
| Community Environment | 4,881 | | | 4,881 |
| Transportation | 4,681 | 33,136 | | 37,817 |
| General Government | 73,026 | 2,328 | | 75,354 |
| Total Cash Disbursements | <u>123,723</u> | <u>37,214</u> | | <u>160,937</u> |
| Excess of Receipts Over Disbursements | <u>6,095</u> | <u>2,701</u> | | <u>8,796</u> |
| Other Financing (Disbursements): | | | | |
| Other Financing Uses | <u>(700)</u> | | | <u>(700)</u> |
| Fund Cash Balances, January 1 | <u>127,190</u> | <u>49,700</u> | <u>\$1</u> | <u>176,891</u> |
| Fund Cash Balances, December 31: | | | | |
| Restricted | | 49,221 | 1 | 49,222 |
| Committed | | 3,180 | | 3,180 |
| Unassigned | 132,585 | | | 132,585 |
| Fund Cash Balances, December 31 | <u>\$132,585</u> | <u>\$52,401</u> | <u>\$1</u> | <u>\$184,987</u> |

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

VILLAGE OF DUNKIRK
HARDIN COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

| | |
|--|-------------------------|
| Operating Cash Receipts: | |
| Charges for Services | <u>\$335,268</u> |
| Operating Cash Disbursements: | |
| Personal Services | 60,825 |
| Employee Fringe Benefits | 8,809 |
| Contractual Services | 102,507 |
| Supplies and Materials | 13,085 |
| Other | 1,250 |
| Total Operating Cash Disbursements | <u>186,476</u> |
| Operating Income | <u>148,792</u> |
| Non-Operating Receipts (Disbursements): | |
| Intergovernmental | 41,978 |
| Special Assessments | 1,200 |
| Miscellaneous Receipts | 369 |
| Capital Outlay | (14,917) |
| Principal Retirement | (57,033) |
| Interest and Other Fiscal Charges | (81,533) |
| Total Non-Operating Receipts (Disbursements) | <u>(109,936)</u> |
| Net Change in Fund Cash Balances | 38,856 |
| Fund Cash Balances, January 1: | <u>533,651</u> |
| Fund Cash Balances, December 31: | <u><u>\$572,507</u></u> |

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, 2015 AND 2014**

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, as a body corporate and political. A publicly-elected six member Council governs the Village with the aid of a publicly-elected three member Board of Public Affairs. The Village provides water and sewer utilities, and park operations. The Village contracts with the Hardin County Sheriff's department to provide security of persons and property.

The Village participates in three jointly governed organizations and a public entity risk pool. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool: Public Entities Pool of Ohio (PEP) is a risk-sharing pool available to Ohio governments.

Jointly Governed Organizations:

Blanchard Dunkirk Washington Joint Ambulance District - This District provides emergency medical services to members within the District.

Northern Hardin County Fire District - This District provides fire services to members within the District.

Hardin County Regional Planning Commission - The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County.

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 accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

C. Deposits 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.

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant special revenue fund:

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

3. Capital Projects Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following capital project fund:

Federal EMA Fund - This fund received grant money related to storm damage. A balance of \$1 remains in this fund.

4. 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 Operating Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

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

Enterprise Debt Funds – These funds receive a utility surcharge for repayment of loans within each fund.

Enterprise Improvement – Debt Sewer Fund – This fund received a grant to help fund the Sewer Separation Project. A utility surcharge is recorded in this fund for repayment of loans within the fund.

Enterprise Debt Reserve Fund – This specific fund holds a required reserve to cover one year's payment of the USDA loan #41-033.

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Deposit Fund – This fund facilitates those deposits received from tenants for water sewer utility service. Expenditures are to refund or apply to accounts upon said tenants' moving.

Other Enterprise Fund – This fund was set up to comply with USDA requirement that a certain amount be set aside from sewer collections each month to assist with maintaining the separated sewer system partially funded by USDA.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (disbursements and encumbrances) may not exceed appropriation 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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must 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 2015 and 2014 budgetary activity appears in Note 3.

F. Capital Assets

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 year end (vacation) or retirement (sick). Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

H. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council of a Village official delegated that authority by resolution, of by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

2. EQUITY IN POOLED DEPOSITS

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

| | | |
|-------------------------|------------------|------------------|
| | <u>2015</u> | <u>2014</u> |
| Demand deposits | \$612,089 | \$602,544 |
| Certificates of deposit | 155,330 | 155,030 |
| Total deposits | <u>\$767,419</u> | <u>\$757,574</u> |

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

2. EQUITY IN POOLED DEPOSITS

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

| 2015 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$136,899 | \$129,773 | (\$7,126) |
| Special Revenue | 39,967 | 40,480 | 513 |
| Enterprise | 347,360 | 338,831 | (8,529) |
| Total | \$524,226 | \$509,084 | (\$15,142) |

| 2015 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$129,400 | \$119,280 | \$10,120 |
| Special Revenue | 35,500 | 33,213 | 2,287 |
| Enterprise | 351,364 | 346,746 | 4,618 |
| Total | \$516,264 | \$499,239 | \$17,025 |

| 2014 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$141,949 | \$129,898 | (\$12,051) |
| Special Revenue | 40,317 | 39,915 | (402) |
| Enterprise | 382,641 | 378,815 | (3,826) |
| Total | \$564,907 | \$548,628 | (\$16,279) |

| 2014 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$141,569 | \$124,423 | \$17,146 |
| Special Revenue | 42,076 | 37,214 | 4,862 |
| Enterprise | 362,202 | 339,959 | 22,243 |
| Total | \$545,847 | \$501,596 | \$44,251 |

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. 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.

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

4. 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 file and pay annually, or pay estimated taxes quarterly and file a declaration annually. Income tax payments to the Village were \$78,488 and \$84,067 for 2015 and 2014, respectively.

5. DEBT

Debt outstanding at December 31, 2015 was as follows:

| <u>Loan Description</u> | <u>Principal</u> | <u>Interest Rate</u> |
|---|------------------|----------------------|
| Ohio Public Works Commission-Loan CP012 | \$ 12,500 | 0% |
| Ohio Public Works Commission-Loan CP08H | \$ 92,469 | 0% |
| Ohio Public Works Commission-Loan CP22K | \$ 149,131 | 0% |
| Ohio Public Works Commission-Loan CT87M | \$ 264,993 | 0% |
| USDA – Rural Development-Loan 41-033 | \$2,119,800 | 3.75% |

The Ohio Public Works Commission (OPWC) loan CP012, entered into on July 1, 1996 in the amount of \$99,990 at 0% interest, relates to a waterline and brine tank replacement projects. The loan will be repaid in semiannual installments of \$2,500, over 20 years with final maturity schedules for July 1, 2018. 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, related 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 OPWC loan CP22K, entered into on July 1, 2007 in the amount of \$182,608 at 0% interest, relates to a water treatment improvement. The loan will be repaid in semiannual installments of \$3,043, over 30 years with final maturity scheduled for July 1, 2040. The loan is collateralized by water receipts.

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEBT (Continued)

The OPWC loan CT87M, loan relates to a sewer separation project that was mandated by the Ohio Environmental Protection Agency. The OPWC loan was entered into on August 28, 2009 in the amount of \$299,992 at 0% interest. The loan will be repaid in semiannual installments of \$5,000, over 30 years with final maturity scheduled for July 1, 2042. The loan is collateralized by sewer receipts.

The United States Department of Agriculture (USDA) loan 41-033 relates to a sewer separation project that was mandated by the Ohio Environmental Protection Agency. The USDA loan was entered into on April 28, 2011, in the amount of \$2,200,000 at 3.75% interest. The loan will be repaid in annual installments of principal and interest payments over 40 years with final maturity scheduled for April 1, 2051.

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

| Year Ending | OPWC CP012 | OPWC CP08H | OPWC CP22K | OPWC CT87M | USDA 41- 033 | TOTAL |
|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|--------------------|
| 2016 | \$5,000 | \$9,247 | \$6,087 | \$10,000 | \$108,293 | \$138,627 |
| 2017 | 5,000 | 9,247 | 6,087 | 10,000 | 108,213 | 138,547 |
| 2018 | 2,500 | 9,247 | 6,087 | 10,000 | 108,295 | 136,129 |
| 2019 | | 9,247 | 6,087 | 10,000 | 108,233 | 133,567 |
| 2020 | | 9,247 | 6,087 | 10,000 | 108,229 | 133,563 |
| 2021-2025 | | 46,234 | 30,435 | 49,998 | 541,334 | 668,001 |
| 2026-2030 | | | 30,435 | 49,998 | 541,261 | 621,694 |
| 2031-2035 | | | 30,435 | 49,998 | 541,288 | 621,721 |
| 2036-2040 | | | 27,391 | 49,998 | 541,364 | 618,753 |
| 2041-2045 | | | | 15,001 | 541,234 | 556,235 |
| 2046-2050 | | | | | 541,389 | 541,389 |
| 2051 | | | | | 108,211 | 108,211 |
| TOTAL | \$12,500 | \$92,469 | \$149,131 | \$264,993 | \$3,897,341 | \$4,416,434 |

7. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, 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, 2015.

One Village official contributed to social security. This plan provides retirement benefits, including survivor and disability benefits, to participants.

The employee contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

7. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees. The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015 (the latest information available):

| | <u>2014</u> | <u>2015</u> |
|--------------|---------------------|---------------------|
| Assets | \$35,402,177 | \$38,307,677 |
| Liabilities | <u>(12,363,257)</u> | <u>(12,759,127)</u> |
| Net Position | <u>\$23,038,920</u> | <u>\$25,548,550</u> |

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$6,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

8. RISK MANAGEMENT (Continued)

| <u>Contributions to PEP</u> | |
|-----------------------------|-------------|
| <u>2014</u> | <u>2015</u> |
| \$9,545 | \$10,040 |

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. JOINTLY GOVERNED ORGANIZATIONS

Blanchard Dunkirk Washington Joint Ambulance District

A three-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are Blanchard Township, the Village of Dunkirk, and Washington Township. The District provides emergency medical and ambulance services within the District. Financial information can be obtained from Kathy Schroeder, Clerk at P.O. Box 95, Dunkirk Ohio 45836.

Northern Hardin County Fire District

A three-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. These subdivisions are the Village of Dunkirk, Blanchard Township and Washington Township. The District provides fire protection and rescue services within the District and by contract to areas outside the District. Financial information can be obtained from Kathy Schroeder, Clerk at 12825 County Road 90, Kenton Ohio 43326.

Hardin County Regional Planning Commission

A Board consisting of Hardin County and municipalities and townships within the County governs the Commission. The degree of control exercised by any participating government is limited to its representation on the Board.

The Commission makes studies, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County. Each participating government may be required to contribute an assessment per capita, according to the latest federal census, in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Dunkirk
Hardin County
P.O. Box 115
Dunkirk, Ohio 45836

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Dunkirk, Hardin County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated November 29, 2016 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost
Auditor of State
Columbus, Ohio

November 29, 2016

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|---|---|---|
| 2013-001 | Accuracy of Financial Reporting – financial activity classification errors. Similar comment first reported in the 2007-2006 audit. | Not fully corrected | Repeated in Management Letter |
| 2013-002 | Ohio Rev. Code Section 5705.09 (F) – separate fund not established for Ohio Public Works Commission and Community Development Block Grant on be-half payments | Yes | Any future project will have fund structures approved in writing prior to implementation. |
| 2013-003 | Ohio Rev. Code Section 5705.41 (D) – prior certification of expenditures. | Yes | Village policy covers this subject |
| 2013-004 | USDA Letter of Conditions, Business Operations and Rate Schedule (b) – separate fund not established for United States Development Authority funding. | Yes | The separate fund was created and proper transfer of monies was performed with Auditor approval on calculations of said transfer. |
| 2013-005 | Office of Management and Budget (OMB) Circular A-133 Section 320(a) - Timely Submission of Data Collection Form and Reporting Package | Not valid for this audit period since not subject to a Single Audit | Any future project will be reported by the Village Fiscal Officer rather than auditing entity to ensure proper reporting is done. |