



Dave Yost • Auditor of State



VILLAGE OF DUNKIRK  
HARDIN COUNTY

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# Dave Yost • Auditor of State

## 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 and related notes of the Village of Dunkirk, Hardin County, (the Village) as of and for the years ended December 31, 2013 and 2012.

### ***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 opinion.

### ***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, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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, 2013 and 2012, 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, 2013 and 2012, 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 Matters***

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Award Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2014, 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

August 13, 2014

**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, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$12,094			\$12,094
Municipal Income Tax	89,112			89,112
Intergovernmental	21,698	\$45,001	\$1,665	68,364
Charges for Services		1,700		1,700
Fines, Licenses and Permits	5,077			5,077
Earnings on Investments	496	16		512
Miscellaneous	4,158	12		4,170
Total Cash Receipts	<u>132,635</u>	<u>46,729</u>	<u>1,665</u>	<u>181,029</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property	23,358			23,358
Public Health Services	8,509			8,509
Leisure Time Activities	9,523	490		10,013
Community Environment	2,446	7,133		9,579
Basic Utility Services	456	2,724		3,180
Transportation	6,836	34,331		41,167
General Government	70,495			70,495
Capital Outlay	18,827		\$1,664	20,491
Total Cash Disbursements	<u>140,450</u>	<u>44,678</u>	<u>1,664</u>	<u>186,792</u>
Excess of Receipts Over (Under) Disbursements	<u>(7,815)</u>	<u>2,051</u>	<u>1</u>	<u>(5,763)</u>
Fund Cash Balances, January 1	<u>135,005</u>	<u>47,649</u>		<u>182,654</u>
<b>Fund Cash Balances, December 31:</b>				
Restricted		45,819	1	45,820
Committed		3,881		3,881
Unassigned (Deficit)	127,190			127,190
Fund Cash Balances, December 31	<u>\$127,190</u>	<u>\$49,700</u>	<u>\$1</u>	<u>\$176,891</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, 2013

**Operating Cash Receipts:**

Charges for Services \$308,478

**Operating Cash Disbursements:**

Personal Services 54,574

Employee Fringe Benefits 7,960

Contractual Services 99,438

Supplies and Materials 14,463

Other 1,365

Total Operating Cash Disbursements 177,800

Operating Income 130,678

**Non-Operating Receipts (Disbursements):**

Intergovernmental 42,616

Miscellaneous Receipts 1,259

Capital Outlay (145,341)

Principal Retirement (56,133)

Interest and Other Fiscal Charges (82,500)

Total Non-Operating Receipts (Disbursements) (240,099)

Net Change in Fund Cash Balances (109,421)

Fund Cash Balances, January 1: 643,071

Fund Cash Balances, December 31: \$533,650

*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, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$12,330			\$12,330
Municipal Income Tax	76,235			76,235
Intergovernmental	18,154	\$47,958	\$187,093	253,205
Charges for Services		1,150		1,150
Fines, Licenses and Permits	5,143			5,143
Earnings on Investments	897	22		919
Miscellaneous	13,232	750		13,982
Total Cash Receipts	<u>125,991</u>	<u>49,880</u>	<u>187,093</u>	<u>362,964</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property	12,197			12,197
Public Health Services	6,640			6,640
Leisure Time Activities	15,891	1,500		17,391
Community Environment	6,512			6,512
Basic Utility Services	608	2,554		3,162
Transportation	2,764	45,108		47,872
General Government	87,379			87,379
Capital Outlay			187,093	187,093
Total Cash Disbursements	<u>131,991</u>	<u>49,162</u>	<u>187,093</u>	<u>368,246</u>
Excess of Receipts (Under) Disbursements	<u>(6,000)</u>	<u>718</u>		<u>(5,282)</u>
<b>Other Financing (Disbursements):</b>				
Other Financing Uses	<u>(53)</u>			<u>(53)</u>
Net Change in Fund Cash Balances	(6,053)	718		(5,335)
Fund Cash Balances, January 1:	<u>141,058</u>	<u>46,931</u>		<u>187,989</u>
<b>Fund Cash Balances, December 31:</b>				
Restricted		44,979		44,979
Committed		2,670		2,670
Unassigned (Deficit)	135,005			135,005
Fund Cash Balances, December 31	<u>\$135,005</u>	<u>\$47,649</u>	<u>\$0</u>	<u>\$182,654</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, 2012**

<b>Operating Cash Receipts:</b>	
Charges for Services	<u>\$288,220</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	60,726
Employee Fringe Benefits	7,641
Contractual Services	156,121
Supplies and Materials	8,550
Other	<u>2,150</u>
Total Operating Cash Disbursements	<u>235,188</u>
Operating Income	<u>53,032</u>
<b>Non-Operating Receipts (Disbursements):</b>	
Intergovernmental	1,679,462
Earnings on Investments (proprietary funds only)	208
Other Debt Proceeds	299,992
Miscellaneous Receipts	156
Capital Outlay	(1,751,204)
Principal Retirement	(44,300)
Interest and Other Fiscal Charges	(55,770)
Other Financing Sources	<u>20,868</u>
Total Non-Operating Receipts (Disbursements)	<u>149,412</u>
Net Change in Fund Cash Balances	202,444
Fund Cash Balances, January 1:	<u>440,627</u>
Fund Cash Balances, December 31:	<u>\$643,071</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, 2013 AND 2012**

**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 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:

**1. Public Entity Risk Pool:**

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

**2. 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 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 the Auditor of State prescribes or permits.

**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, 2013 AND 2012  
(Continued)**

**1. 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 significant capital project funds:

**Federal EMA Fund** - This fund received grant money related to storm damage.

**CDBG Fund** – This fund accounts for a Community Development Grant awarded to Hardin County that benefited the Village.

**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 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.

**Enterprise Debt Funds** – A utility surcharge is recorded in these funds for repayment of loans within each fund.

**Enterprise Improvement – Sewer Separation Fund** – This fund received grant and loan proceeds from multiple sources to finance the Sewer Separation Project. A utility surcharge is recorded in this fund for repayment of loans within the fund.

**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**Enterprise Debt Reserve Fund** – This specific fund holds a required reserve to cover one year’s payment of the USDA loan #41-033. Part of the funding was allowed to come from the last USDA grant drawdown.

**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.

**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. The Village did not encumber all commitments required by Ohio law which violated Ohio Rev. Code Section 5705.41 (D) or establish all required funds.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**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 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, 2013 AND 2012  
(Continued)**

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

**1. Non-spendable**

The Village classifies assets as *non-spendable* 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, or 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 AND INVESTMENTS**

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

	<b>2013</b>	<b>2012</b>
Demand deposits	\$555,899	\$671,531
Certificates of deposit	154,642	154,194
Total deposits	\$710,541	\$825,725

**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)**

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

**2013 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$153,638	\$132,635	(\$21,003)
Special Revenue	47,767	46,729	(1,038)
Capital Projects	1,664	1,665	1
Enterprise	385,676	352,353	(33,323)
Total	<u>\$588,745</u>	<u>\$533,382</u>	<u>(\$55,363)</u>

**2013 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$153,708	\$140,450	\$13,258
Special Revenue	47,828	44,678	3,150
Capital Projects	1,664	1,664	
Enterprise	490,185	461,774	28,411
Total	<u>\$693,385</u>	<u>\$648,566</u>	<u>\$44,819</u>

**2012 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$232,034	\$125,991	(\$106,043)
Special Revenue	124,747	49,880	(74,867)
Capital Projects		187,093	187,093
Enterprise	1,584,285	2,288,906	704,621
Total	<u>\$1,941,066</u>	<u>\$2,651,870</u>	<u>\$710,804</u>

**2012 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$238,087	\$132,044	\$106,043
Special Revenue	124,029	49,162	74,867
Capital Projects		187,093	(187,093)
Enterprise	1,381,841	2,086,462	(704,621)
Total	<u>\$1,743,957</u>	<u>\$2,454,761</u>	<u>(\$710,804)</u>

In 2012, budgetary expenditures were greater than appropriations in the Capital Projects and Enterprise funds as the result of memo activity for a Community Development Block Grant (CDBG) and for Ohio Public Works Commission (OPWC) money spent on be-half of the Village being recorded but not being budgeted. Since this is memo activity the failure to appropriate did not result in a negative budgetary impact. The Village failed to establish separate funds to account for CDBG and OPWC money spent on be-half of the Village which violated Ohio Rev. Code Section 5705.09(F).

**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**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.

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

**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 file and pay annually, or pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2013 was as follows:

<u>Loan Description</u>	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission – Loan CP012	\$22,500	0%
Ohio Public Works Commission – Loan CP08H	110,963	0%
Ohio Public Works Commission – Loan CP22K	161,305	0%
Ohio Public Works Commission – Loan CT87M	284,995	0%
USDA – Rural Development – Loan 41-033	2,174,200	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.

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.

**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. DEBT (Continued)**

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.

The Village failed to establish an asset management reserve for short-lived assets as required by the USDA Letter of Conditions, Business Operations, and Rate Schedule (b).

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

<u>Year Ending</u>	<u>OPWC CP012</u>	<u>OPWC CP08H</u>	<u>OPWC CP22K</u>	<u>OPWC CT87M</u>	<u>USDA 41-033</u>	<u>Total</u>
2014	\$5,000	\$9,247	\$6,087	\$10,000	\$108,233	\$138,567
2015	5,000	9,247	6,087	10,000	108,231	138,565
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
2019-2023		46,234	30,435	49,999	541,260	667,928
2024-2028		18,494	30,435	49,999	541,369	640,297
2029-2033			30,435	49,999	541,201	621,635
2034-2038			30,435	49,999	541,344	621,778
2039-2043			9,130	34,999	541,256	585,385
2044-2048					541,295	541,295
2049-2051					324,816	324,816
Total	<u>\$22,500</u>	<u>\$110,963</u>	<u>\$161,305</u>	<u>\$284,995</u>	<u>\$4,113,806</u>	<u>\$4,693,569</u>

**7. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross wages and the Village contributed 14% of each participant's gross wages. The Village has paid all contributions required through December 31, 2013.

**8. 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 Government 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of 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 ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

**A. 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, 2013, PEP retained \$350,000 casualty claims and \$100,000 for property claims.

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

**B. 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, 2012 and 2013:

	<b>2012</b>	<b>2013</b>
Assets	\$34,389,569	\$34,411,883
Liabilities	(14,208,353)	(12,760,194)
Net Position	\$20,181,216	\$21,651,689

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Village's share of these unpaid claims collectible in future years is approximately \$7,000.

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 these used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount financial contributions required to be made to PEP for each year of membership.

<b>Contributions to PEP</b>	
<b>2012</b>	<b>2013</b>
\$8,669	\$9,338

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 expense become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**9. JOINTLY GOVERNED ORGANIZATIONS**

**A. 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.

**B. 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 121 South Buckeye Street Dunkirk Ohio 45836.

**C. 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.

**10. 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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**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>Federal Grantor Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE</b>			
<i>(Direct Program)</i>			
Water and Waste Disposal Systems for Rural Communities - ARRA	N/A	10.781	\$942,750
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>(Passed through Ohio Department of Development)</i>			
Community Development Block Grants / State's Program	C-R-09-274-1	14.228	10,000
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<i>(Direct Program)</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	N/A	97.036	<u>6,847</u>
Total Federal Awards Expenditures			<u><u>\$959,597</u></u>

*The accompanying notes are an integral part of this schedule*

**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the Village of Dunkirk's (the Village's) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – MATCHING REQUIREMENTS**

Certain Federal programs require the Village to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.



# 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 Village of Dunkirk, Hardin County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated August 13, 2014 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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

*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 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. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

***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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-002 through 2013-004.

***Entity's Response to Findings***

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

***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

August 13, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Members of Council:

### ***Report on Compliance for the Major Federal Program***

We have audited the Village of Dunkirk's (the Village) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Village of Dunkirk's major federal program for the year ended December 31, 2012. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Village's major federal program.

### ***Management's Responsibility***

The Village's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the Village's compliance for the Village's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Village's major program. However, our audit does not provide a legal determination of the Village's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Village of Dunkirk complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2013-005. This finding did not require us to modify our compliance opinion on the major federal program.

The Village's response to our noncompliance finding is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

**Report on Internal Control Over Compliance**

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

August 13, 2014

**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 and 2012  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2012**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #10.781 – Water and Waste Disposal Systems for Rural Communities - ARRA
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

**FINDING NUMBER 2013-001**

**Material Weakness**

**Accuracy of Financial Reporting**

The Village should have procedures and controls in place to prevent and detect errors in the financial statements and accounting records to help assure that the information provided to the users is complete and accurate.

**FINDING NUMBER 2013-001  
(Continued)**

The following errors were identified in December 31, 2013 financial statements and were adjusted in the accompanying financial statements:

- Homestead and rollback receipts in the amount of \$2,275 were recorded in the General Fund as property and other local taxes receipts instead of intergovernmental receipts.
- Grants from non-governmental entities, donations, and a BWC refund in the total amount of \$3,911 were recorded in the General Fund as intergovernmental receipts instead of miscellaneous receipts.
- Disbursements in the General Fund in the amount of \$20,596 for an electric project were recorded as general government disbursements in instead of capital outlay.
- A reimbursement from another local government for its share of an electric project in the amount of \$2,454 was recorded as intergovernmental receipts instead of a reduction to disbursements.

The following errors were identified in the December 31, 2012 financial statements and were adjusted in the accompanying financial statements:

- Homestead and rollback receipts in the amount of \$2,348 were recorded in the General Fund as property and other local taxes receipts instead of intergovernmental receipts.
- Grants from non-governmental entities and donations in the total amount of \$2,500 were recorded in the General Fund as intergovernmental receipts instead of miscellaneous receipts.
- A reimbursement from another local government for its share of a project in the amount of \$2,350 was recorded as miscellaneous receipts instead of a reduction to disbursements.
- Permissive tax receipts received from another government in the amount of \$10,459 were recorded in the Street Construction Maintenance and Repair Fund as property and other local taxes instead of intergovernmental receipts.

The following error was identified in the December 31, 2012 financial statements but not adjusted in the accompanying financial statements:

- Debt principal payments in the amount of \$1,191 were recorded in the Enterprise Sewer Operating Fund as contractual services disbursements instead of principal retirement disbursements.

Errors in the financial statements and supporting ledgers inhibit the ability of both the Village Fiscal Officer and the Members of Council to monitor financial activity and to make sound financial decisions. Reliance on financial information that contains errors could result in noncompliance with laws and regulations applicable to the Village. In addition, financial information with errors reduces the likelihood that irregularities will be detected in a timely manner.

The errors identified above should be reviewed by the Fiscal Officer to help assure that similar errors are not recorded in the accounting records and reported on the financial statements in subsequent years. The Members of Council should periodically review the accounting records to help identify and correct errors prior to completion of the annual financial statements. In addition, the Village Fiscal Officer should review the Village Officer's Handbook, Auditor of State Bulletins, UAN Manual, which can be found on the Auditor of State Website at <https://ohioauditor.gov/>, for guidance in recording of financial activity.

**FINDING NUMBER 2013-001  
(Continued)**

**OFFICIALS' RESPONSE:**

- Corrected beginning with 2014 – was not aware that they weren't property taxes.
- I was unaware that the non-fed/non-state line would still flow to intergovernmental. I will be finding or creating the appropriate line item for such receipts in the future.
- UAN line title for 1000-730-590-0000 is a capital outlay for buildings and lands. We have learned that the UAN line items aren't all flowing properly onto the combining statement.
- I didn't know how to post if the expense came prior to the receipt. I will use negative expenditures for this in the future, providing receipt is in same year as the expenditure.
- I will correct 2014 and use intergovernmental going forward.
- As above, UAN line titles are somewhat misleading and don't go where they need to in the annual report's combining statement. (Will be bringing UAN's attention to this soon).
- Same as bullet four – will post as negative expenditures from now on.
- I will establish an intergovernmental line in the Street fund for permissive taxes.
- Due to the ending of these debts, rather than create legislation to set aside the small differences for the last year, the BPA directed me to pay from the sewer fund for any difference needed at time of payment. I didn't have loan lines and therefore chose to use a contractual line since the debts were in fact contracts.

**FINDING NUMBER 2013-002**

**Material Weakness / Noncompliance Citation**

**Ohio Rev. Code § 5705.09(F)** requires that each subdivision shall establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

In 2012, the Village failed to establish the required fund to account for the memo entries for the receipt and disbursement of Ohio Public Works Commission (OPWC) grant and loan money in the amount of \$704,621. In addition during 2012, the Village failed to establish the required fund to account for the memo entries for the receipt and disbursement of Community Development Block Grant (CDBG) money in the amount of \$187,093. Of the grant amount received, the Village recorded \$103,693 in the General Fund and \$74,867 in the Street Construction Maintenance and Repair Fund leaving an unrecorded amount of \$8,533.

The accompanying financial statements have been adjusted to reflect receipt and disbursement of this money. Since this was memo activity and receipts equaled disbursements it was not necessary to adjust the Village's accounting records.

The failure to establish the required funds and record the related activity not only materially misstates the financial statements but also prevents the users of the financial statements from seeing the financial benefit received by the Village.

**FINDING NUMBER 2013-002  
(Continued)**

The Members of Council should periodically review the accounting records to help assure the completeness and accuracy of the recorded financial transactions and year-end financial statements. The Fiscal Officer should review Auditor of State Bulletin 2000-008, which can be found on the Auditor of State Website at <https://ohioauditor.gov/> for guidance in the budgeting and accounting for on-behalf payments.

**OFFICIALS' RESPONSE:**

The 5725 line set up was assisted by a representative from our former IPA, at the end of the 2010 audit and prior to the project taking off. She and a representative of the USDA both approved of using cost centers as the separating factor between project providers.

Given the small size of the revitalization project I chose to implement cost centers within the funds most closely connected to each individual project within the project. Management and financing of the project were controlled at the county level and apparently an expense(s) was missed in relaying the information to me for posting.

**FINDING NUMBER 2013-003**

**Noncompliance Citation**

**Ohio Rev. Code § 5705.41(D)** prohibits a subdivision or taxing unit from making any contract or ordering any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void. There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 subdivision can authorize the drawing of a warrant for the payment of the amount due. The subdivision has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 subdivision.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond the end of the year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**FINDING NUMBER 2013-003  
(Continued)**

- 3. Super Blanket certificate** – The subdivision 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 reasonably 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.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

The Village did not properly certify 11 out of 53 or twenty percent of the expenditures tested during 2013 and 2012.

The Fiscal Officer should certify that the funds are or will be available prior to the obligation by the Village to improve controls over disbursements and reduce the possibility of the Village's funds exceeding budgetary spending limitations. When prior certification is not possible, "Then and Now" certification should be used. When the "Then and Now" certification is used for amounts equal to or in excess of \$3,000, the Council should approve the payment by resolution within 30 days.

**OFFICIALS' RESPONSE:**

The Village has adopted a policy that deals with this situation as it is often difficult in such a small office with limited hours to get papers on every single purchase made in the Village. A copy of said policy was provided during the audit. Major expenses are always discussed and approved prior to the purchase, barring an emergency.

**FINDING NUMBER 2013-004**

**Noncompliance Citation**

**USDA Letter of Conditions, Business Operations and Rate Schedule (b)** requires that an asset management reserve for short-lived assets be funded by depositing a sum of \$211 monthly in addition to that required for the debt service reserve.

The Village utilized \$12,705 of the final drawdown from the USDA grant as funding for short-lived assets however the money was recorded in the Enterprise Sewer Separation Fund which was used to account for the grants and loans related to the sewer separation project. The Village should have established a separate enterprise fund for short-lived assets. The Village has adjusted its accounting records to establish this fund and move the activity and balances from the Sewer Separation Fund. There was no impact on the accompanying financial statements.

The failure to record this activity in a separate fund prevents Village officials from monitoring financial activity and making sound financial decisions.

The Village should review the USDA grant agreement and Letter of Conditions, Business Operations, and Rate Schedule to provide for compliance with all requirements of the grant.

**FINDING NUMBER 2013-004  
 (Continued)**

**OFFICIALS' RESPONSE:**

Although a USDA representative had given me approval to use the same fund, in order to provide better clarity for the auditors and others, a new fund will now be established for the SLA's and misc system upkeep. However, the amount will be different than that listed because receipts and expenditures have since occurred, which changes that amount. As discussed with the auditor's office, I will prepare a spreadsheet posting all transactions in order to obtain the correct figure for the FBA. This document will be provided to the auditor and a copy saved for the next audit as well.

**3. FINDINGS FOR FEDERAL AWARDS**

**Noncompliance Citation – Timely Submission of Data Collection Form and Reporting Package**

<b>Finding Number</b>	2013-005
<b>CFDA Title and Number</b>	Water and Waste Disposal Systems for Rural Communities – ARRA, CFDA #10.781
<b>Federal Award Number / Year</b>	2012
<b>Federal Agency</b>	U.S. Department of Agricultural Rural Utilities Service
<b>Pass-Through Agency</b>	N/A – Direct Program

**Office of Management and Budget (OMB) Circular A-133 section 320(a)** requires the auditee to submit the data collection form described in section 320(b) and the reporting package described in section 320(c) within the earlier of 30 days after receipt of the auditor's report, or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. If this was not done, then a federal single audit was not "completed" for purposes of this low risk auditee determination.

The Village was required to have a federal single audit performed for the period of January 1, 2012 to December 31, 2012 as the result of having federal expenditures of \$500,000 or more within the year but did not timely obtain the required audit. As a result the data collection form and reporting package was not submitted within the required timeframe. The failure to receive a timely federal single audit not only results in the Village being considered a high risk auditee but could also result in action being taken by one or more federal grant agencies.

Policies and procedures should be implemented to help assure that the Village identifies the need for a Single Audit in a timely manner.

**OFFICIALS' RESPONSE:**

We were under the understanding that the entire project was filed with the prior audit since the final draws were signed within that time frame and only the receipting and disbursement occurred in 2012. We were unaware we needed another single audit for 2012 or we would have made sure it occurred.

VILLAGE OF DUNKIRK  
HARDIN COUNTY

CORRECTIVE ACTION PLAN  
*OMB CIRCULAR A -133 § .315 (c)*  
FOR THE YEAR ENDING DECEMBER 31, 2012

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2013-005	We will make absolutely certain that future federally funded projects are reported in full.	8/11/2014	Phyllis Spencer, Fiscal Officer

**VILLAGE OF DUNKIRK  
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Misclassification of receipts and debt payments	No	Similar comment repeated as Finding Number 2013-001
2011-002	Ohio Rev. Code Section 5705.36 – estimated resources less than appropriations	Yes	



# Dave Yost • 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  
OCTOBER 7, 2014