



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF DUNKIRK
HARDIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2001	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2000	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2000	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	23

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Dunkirk, Hardin County (the "Village", as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

October 18, 2002

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$72,412		\$72,412
Intergovernmental Receipts	35,781	25,975	61,756
Charges for Services	11,434		11,434
Fines, Licenses, and Permits	4,885		4,885
Earnings on Investments	8,359	1,533	9,892
Miscellaneous	200	923	1,123
	<u>133,071</u>	<u>28,431</u>	<u>161,502</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	39,110		39,110
Public Health Services	9,660		9,660
Leisure Time Activities	24,839		24,839
Transportation	18,646	39,693	58,339
General Government	38,378		38,378
	<u>130,633</u>	<u>39,693</u>	<u>170,326</u>
Total Receipts Over/(Under) Disbursements	2,438	(11,262)	(8,824)
Fund Cash Balances, January 1	<u>155,638</u>	<u>66,349</u>	<u>221,987</u>
Fund Cash Balances, December 31	<u><u>\$158,076</u></u>	<u><u>\$55,087</u></u>	<u><u>\$213,163</u></u>
Reserves for Encumbrances, December 31	<u><u>\$2,297</u></u>	<u><u>\$0</u></u>	<u><u>\$2,297</u></u>

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

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	<u>\$171,929</u>
Operating Cash Disbursements:	
Personal Services	56,460
Contractual Services	42,010
Supplies and Materials	<u>56,810</u>
Total Operating Cash Disbursements	<u>155,280</u>
Operating Income	<u>16,649</u>
Non-Operating Cash Disbursements:	
Debt Service	26,122
Other Non-Operating Cash Disbursements	<u>400</u>
Total Non-Operating Cash Disbursements	<u>26,522</u>
Receipts (Under) Disbursements	(9,873)
Fund Cash Balances, January 1	<u>146,671</u>
Fund Cash Balances, December 31	<u><u>\$136,798</u></u>
Reserve for Encumbrances, December 31	<u><u>\$2,561</u></u>

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

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$80,999		\$80,999
Intergovernmental Receipts	38,945	63,577	102,522
Charges for Services	4,765		4,765
Fines, Licenses, and Permits	4,322		4,322
Earnings on Investments	9,574	2,053	11,627
Miscellaneous	13,337		13,337
Total Cash Receipts	<u>151,942</u>	<u>65,630</u>	<u>217,572</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	50,260	2,377	52,637
Public Health Services	4,200		4,200
Leisure Time Activities	27,339	30,000	57,339
Transportation	37,068	25,807	62,875
General Government	36,757		36,757
Total Cash Disbursements	<u>155,624</u>	<u>58,184</u>	<u>213,808</u>
Total Receipts Over/(Under) Disbursements	(3,682)	7,446	3,764
Fund Cash Balances, January 1	<u>159,320</u>	<u>58,903</u>	<u>218,223</u>
Fund Cash Balances, December 31	<u><u>\$155,638</u></u>	<u><u>\$66,349</u></u>	<u><u>\$221,987</u></u>
Reserves for Encumbrances, December 31	<u><u>\$0</u></u>	<u><u>\$2,651</u></u>	<u><u>\$2,651</u></u>

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

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$145,324
Miscellaneous	960
	146,284
Total Operating Cash Receipts	146,284
Operating Cash Disbursements:	
Personal Services	41,509
Fringe Benefits	
Contractual Services	51,006
Supplies and Materials	54,191
Capital Outlay	
	146,706
Total Operating Cash Disbursements	146,706
Operating (Loss)	(422)
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	1,600
	1,600
Non-Operating Cash Disbursements:	
Debt Service	26,122
Other Non-Operating Cash Disbursements	309
	26,431
Total Non-Operating Cash Disbursements	26,431
Receipts (Under) Disbursements	(25,253)
Fund Cash Balances, January 1	171,924
Fund Cash Balances, December 31	\$146,671
Reserve for Encumbrances, December 31	\$3,823

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, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Dunkirk, Hardin County, (the "Village"), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations (leisure time activities), and police services. The Village appropriates general fund money to support a volunteer fire department and contracts with the Blanchard Dunkirk Ambulance District for emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

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.

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 Fund

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

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

Park Grant Fund – This fund received a State grant for park improvements.

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Enterprise Funds

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

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

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not use the encumbrance method of accounting. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2001 and 2000 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.

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	\$149,961	\$168,658
Certificates of deposit	200,000	200,000
Total deposits	\$349,961	\$368,658

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$175,000	\$133,071	(\$41,929)
Special Revenue	27,300	28,431	1,131
Enterprise	153,500	171,929	18,429
Total	\$355,800	\$333,431	(\$22,369)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$132,930	(\$132,930)
Special Revenue		39,693	(39,693)
Enterprise		184,363	(184,363)
Total	\$0	\$356,986	(\$356,986)

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$165,020	\$151,942	(\$13,078)
Special Revenue	28,000	65,630	37,630
Enterprise	151,954	147,884	(4,070)
Total	\$344,974	\$365,456	\$20,482

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$185,200	\$155,624	\$29,576
Special Revenue	45,200	60,835	(15,635)
Enterprise	195,054	176,960	18,094
Total	\$425,454	\$393,419	\$32,035

- During 2000, a fund was not established for each class of revenue derived from a source other than the general property tax which the law requires to be used for a particular purpose as required by Ohio Rev. Code Section 5705.09.
- Restricted revenue was not recorded in the correct fund as required by Ohio Rev. Code Section 5705.10.
- During 2001, the Village did not certify the total amount from all sources available for expenditure to the County Auditor on or about the first day of the year as required by Ohio Rev. Code Section 5705.36.
- The Village did not pass an appropriation resolution in 2001 as required by Ohio Rev. Code Section 5705.38, therefore all expenditures were in excess of the amount appropriated which violates Ohio Rev. Code Section 5705.41(B).
- The Village did not amend the appropriations during 2000 in the same manner as making the original appropriations as required by Ohio Rev. Code Section 5705.40.

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 payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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

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

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1% percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan # 0213	\$100,877	2.00%
Ohio Water Development Authority Loan # 0829	78,731	7.60%
Ohio Public Works Commission Loan	82,492	0.00%
Total	\$262,100	

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. OWDA loan #0213 was entered into on July 1, 1988 in the amount of \$201,234. The loan will be repaid in semiannual installments of \$5,154 over 25 years with final maturity scheduled for January 1, 2013. OWDA loan #0829 was entered into on July 1, 1988 in the amount of \$119,507. The loan will be repaid in semi-annual installments of \$5,408 over 25 years with final maturity scheduled for January 1, 2013. The OWDA loans are collateralized by sewer receipts.

The Ohio Public Works Commission (OPWC) loan, entered into on July 1, 1996, relates to a waterline and brine tank replacement project. The OPWC has approved up to \$99,990 in an interest free loan for this project. The loan will be repaid in semiannual installments of approximately \$2,500, over 20 years with final maturity scheduled for July 1, 2017. The loan is collateralized by water receipts.

The General Obligation Bonds are collateralized by the Village's taxing authority.

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

	OWDA Loan #0213	OWDA Loan #0829	OPWC Loan
Year ending December 31:			
2002	\$10,307	\$10,815	\$5,000
2003	10,307	10,815	5,000
2004	10,307	10,815	5,000
2005	10,307	10,815	5,000
2006	10,307	10,815	5,000
2007 - 2011	51,535	54,075	25,000
2012 - 2016	10,307	10,815	25,000
2017	0	0	7,494
Total	\$113,377	\$118,965	\$82,492

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RETIREMENT SYSTEMS

The Village's law enforcement officers and other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

8. JOINTLY GOVERNED ORGANIZATIONS

The Blanchard-Dunkirk Ambulance District is a jointly-governed organization consisting of two townships (Blanchard and Washington) and the Village of Dunkirk, Hardin County, Ohio. The District is governed by a board of trustees consisting of one representative from each township and the Village. The degree of control exercised by any participating entity is limited to its representation on the board. Operating funds for the District are provided from property taxes assessed against property owners located within the townships and the Village making up the District and charges assessed for services of the District. The Village provides no other funds to the District. Financial information may be obtained from Clerk Corrine Dysert, Clerk, Blanchard Dunkirk Ambulance District, Hardin County P.O. Box 95 Dunkirk, Ohio 45836.

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

9. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Dunkirk, Hardin County (the "Village"), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated October 18, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2001-30233-001 through 2001-30233-011. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 18, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-30233-012 through 2001-30233-015.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

**Internal Control Over Financial Reporting
(Continued)**

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2001-30233-013 through 2001-30233-015 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated October 18, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

October 18, 2002

VILLAGE OF DUNKIRK
HARDIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000

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

FINDING NUMBER 2001-30233-001

Finding for Recovery

Village of Dunkirk Ordinance 285-01 states that Henry A. Bailey, Superintendent, will receive a Cost of Living Allowance (COLA) for 2001 in the amount of \$979. The salary paid to Henry A. Bailey during 2000 was \$40,243, which therefore sets the 2001 salary for Henry A. Bailey at \$41,222. During 2001, the Village paid Henry A. Bailey a salary of \$45,187 which results in an overpayment of \$3,965.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Henry A. Bailey, retired superintendent, in the amount of \$3,965 and in favor of the Village of Dunkirk.

FINDING NUMBER 2001-30233-002

Finding for Recovery

Ohio Rev. Code Section 9.39 states that all public officials are liable for all public money received or collected by them or by their subordinates under color of office. The Clerk/Treasurer was responsible for collection and deposit of the receipts for the Board of Public Affairs. The Board of Public Affairs "Record of Payments" report for May 22, 2000, indicated that the total amount collected for that day was \$970, however the corresponding bank deposit slip dated May 30, 2000 showed that only \$853 was deposited with the bank. The amount collected but not deposited was \$117.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for money not accounted for or uncollected is hereby issued against Laura White, former Clerk/Treasurer and her bonding company Western Surety Company, jointly and severally, in the amount of \$117 and in favor of the Village of Dunkirk.

FINDING NUMBER 2001-30233-003

Noncompliance Citation

Ohio Rev. Code Sections 135.21 and 5705.10 require interest earned to be credited to the general fund unless otherwise expressly required by law. Ohio Constitution Art. XII, Section 5a, and OAG No. 82-031, requires interest earned on the proceeds of a motor vehicle license tax or fuel tax to be paid into the fund to which the principal belongs. During 2001, the Village allocated interest to the Enterprise Sewer Debt Fund. During 2001 and 2000, the Village allocated interest to the Special Revenue Street Fund, however the allocation was not reflective of the fund balance.

The Village has made the necessary adjustments to increase/decrease fund balances to properly reflect these amounts. The financial statements in this report reflect these adjustments. These adjustments had the following effect upon the respective fund type balances:

Fund	2001	2000
General	\$ 1,893	(\$643)
Special Revenue Street	693	643
Enterprise Sewer Debt	(2,586)	

**FINDING NUMBER 2001-30233-003
(Continued)**

The Village should review the requirements for the recording of interest and develop procedures to help ensure the correct recording of interest revenue. Periodically, the Village Council and/or an audit committee should review the allocation of interest revenue.

FINDING NUMBER 2001-30233-004

Noncompliance Citation

Ohio Rev. Code Section 731.14 when any expenditure, other than the compensation of persons employed therein, exceeds fifteen thousand dollars, such contracts shall be in writing and made with the lowest and best bidder after advertising for not less than two nor more than four consecutive weeks in a newspaper of general circulation within the village. During 2001, the Village paid \$16,000 for the construction of a chain link fence at the Village park which was not bid as required by this Ohio Rev. Code Section.

The Village should become familiar with the bidding requirements of the Ohio Rev. Code prior to contracting for projects. If necessary, the Village should obtain written legal advice as to whether or not a project requires bidding procedures.

FINDING NUMBER 2001-30233-005

Noncompliance Citation

Ohio Rev. Code Section 5705.09 states that each subdivision is required to establish a fund for 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.

During 2000, the Village received a \$30,000 grant from the Ohio Department of Natural Resources and a \$2,377 federal grant passed through the Ohio Department of Criminal Justice and failed to establish special revenue funds to account for the grant activity. However, the Village did spend these grant monies in accordance with the requirements of the grant agreements. The financial statements in this report have been adjusted to reflect the receipt and expenditure of these grants as special revenue funds. The grant monies were spent in accordance with the grant agreements.

Procedures should be implemented by the Village to help identify revenue sources that require the establishment of a new fund. The Village Council and/or an audit committee should periodically review the Village fund structure to help ensure the establishment of all required funds.

FINDING NUMBER 2001-30233-006

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states that all revenue derived from a source other than general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

During 2001, the Village recorded General Fund real estate taxes in the amount of \$935 in the Special Revenue Highway Fund. During 2000, the Village recorded a Special Revenue Park Fund grant in the amount of \$30,000, a Special Revenue Police Fund grant in the amount of \$2,377, and Special Revenue Street Fund gas tax revenue in the amount of \$1,046 in the General Fund.

FINDING NUMBER 2001-30233-006
(Continued)

The Village has made the necessary audit adjustments to increase/decrease fund balances to properly reflect these recording errors. The financial statements in this report reflect these adjustments. The park grant and the police grant had expenditures offsetting the revenue and as a result had no effect on the fund balances. The gas tax adjustments had the following effect upon the respective fund type balances:

Fund	2001	2000
General	\$935	(\$1,046)
Special Revenue Street		1,046
Special Revenue Highway	(935)	

The Village Council and/or an audit committee should implement review and monitoring procedures to help assure the correct recording of revenues.

FINDING NUMBER 2001-30233-007

Noncompliance Citation

Ohio Rev. Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditure from each fund in the tax budget along with any balances that existed at the end of the preceding year. During 2001, the Village did not certify the available resources to the County Auditor until September 5, 2001.

The failure to complete and file this document in a timely manner prevents the County Auditor from completing other required budgetary forms. Without approval from the County Auditor on other budgetary forms, the Village could incur deficit spending and/or negative fund balances.

Procedures should be implemented by the Village Council and/or an audit committee to help ensure the timely completion and filing of the Certificate of Available Resources.

FINDING NUMBER 2001-30233-008

Noncompliance Citation

Ohio Rev. Code Section 5705.38 states that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

The Village did not pass either a temporary or permanent appropriation measure for 2001. Failure to properly appropriate could result in expending money in excess of the Village's resources. During 2001, all Village expenditures were in excess of the appropriations.

Procedures should be implemented by the Village Council and/or an audit committee to help ensure the timely completion and filing with the County Auditor that annual appropriations resolution.

FINDING NUMBER 2001-30233-009

Noncompliance Citation

Ohio Rev. Code Section 5705.40 states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. During 2000, appropriation modifications were recorded in the financial records which were not approved by Council until 2001 and were not filed with the County Auditor. The budgetary note amounts in this report have been modified to reflect the legally adopted appropriations during 2000. Appropriation modifications approved during 2001 for 2000 were as follows:

	Total Approved in 2001 for 2000	Total 2000 appropriations	% of modifications to Total Appropriations
General	46,699	185,200	25.22%
Street	11,000	37,000	29.73%
Water	23,480	106,500	22.05%
Sewer	3,870	53,700	7.21%

To help assure compliance with this Ohio Rev. Code requirement, the Village Council and/or an audit committee should implement procedures for periodically verifying the recorded appropriations agree to those approved by Council.

FINDING NUMBER 2001-30233-010

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. During 2001, the Village did not pass an appropriation resolution, therefore, all expenditures exceeded appropriations as follows:

Fund	Appropriated	Expended /Encumbered	Variance
General	\$0	\$132,930	(\$132,930)
Street Construction	0	38,659	(38,659)
State Highway	0	1,034	(1,034)
Water Fund	0	106,546	(106,546)
Sewer Fund	0	51,295	(51,295)
Water Deposit	0	400	(400)
Water Debt	0	5,000	(5,000)
Sewer Debt	0	21,122	(21,122)

**FINDING NUMBER 2001-30233-010
 (Continued)**

During 2000, the following expenditures were in excess of appropriations at the legal level of control:

Fund	Line Item	Appropriated	Expended	Variance
General	Park – Gen. Exp./Maint.	\$4,000	\$4,728	(\$728)
General	Park Improvements	10,000	19,880	(39,880)
General	Truck/Tractor Expense	1,200	12,011	(10,811)
General	Super PERS-IRS Super Medical	14,000	25,056	(11,056)
Special Revenue Park Fund	Park Improvements	0	30,000	(30,000)
Enterprise Water Fund	Contractor Repair Work	14,000	18,604	(4,604)
Enterprise Sewer Fund	Septic Tank Pumping & Risers	6,000	9,513	(3,513)

The Village should implement procedures to help ensure that appropriations are passed, filed with the county auditor, and properly recorded in the Village's computer system. Budgetary reports should be monitored by Village Council and/or an audit committee to help ensure that expenditures do not exceed the appropriations at the legal level of control.

FINDING NUMBER 2001-30233-011

Noncompliance Citation

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

The following exceptions to this basic requirement are provided by statute:

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

Amounts of less than \$1,000 for villages, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

**FINDING NUMBER 2001-30233-011
(Continued)**

One hundred percent of Village's transactions were not certified by the Clerk/Treasurer prior to making orders for the expenditure of Village funds. In addition, neither of the two exceptions above were utilized for these transactions. Procedures should be implemented to not only help assure compliance with this requirement, help prevent the unauthorized obligation of Village funds. Periodically a review should be performed by Village Council and/or an audit committee to help ensure the correct certification of funds.

FINDING NUMBER 2001-30233-012

Reportable Condition

Establishment of an Audit Committee

The Village should establish an audit committee. The Committee should serve as a liaison between management and its auditors. The primary functions of such a Committee are to monitor and review the Village's accounting and financial reporting practices, and to follow up on citations and recommendations made by its auditors.

The Audit Committee should be actively involved in:

- Meeting with Village's independent auditors before and after each audit;
- Monitoring the progress of the financial and compliance audit;
- Evaluating the results of the financial and compliance audit; and
- Ensuring that the internal control and legal compliance issues identified in the audit are promptly and effectively remedied.

In addition, the audit committee should meet regularly (perhaps quarterly) to monitor the Village's legal compliance, financial condition, and procedures and controls over the safeguarding of assets. The committee should view supporting documentation for the accounting reports, bank reconciliations, payroll reports, and utility billings, collections and receipts. The audit committee should be familiar with the financial operations of the Village and assist in the transition between clerks or fiscal officers.

The audit committee can include members of the Council. However, it can also include representation that is independent from elected officials or management. The committee could include professionals knowledgeable in the Village's financial operations, such as attorneys or bankers.

FINDING NUMBER 2001-30233-013

Reportable Condition/Material Weakness

Accounting Records

To have useful financial information and to allow the governing body to effectively manage financial resources, the financial officer must record and report the financial activity of an entity in an accurate and timely manner. During 2001 and 2000, the Village Council was unable to obtain financial information that was timely or accurate due to weaknesses and errors in the Village's accounting system. Accounting weaknesses and errors identified at various times throughout 2001 and 2000 included but were not limited to:

FINDING NUMBER 2001-30233-013
(Continued)

- After March 2000, revenue and expenditure activity was not entered into the Village's accounting system until the subsequent year;
- during 2001, budgetary information required by the County Auditor was not prepared;
- revenues were recorded in the wrong fund, posted to the wrong line item, or recorded at the incorrect amount;
- the annual financial statements had beginning fund balance errors, footing errors, individual fund activity did not agree to combined fund activity, and fund balances did not agree to the accounting system balances;
- the payroll account was not reconciled after March 2000, payroll remittances were not remitted timely, voided checks were missing, payroll reports had duplicate check numbers, and payroll reports included several pay periods instead of one;
- after March 2000, monthly bank reconciliations for the general checking account were not performed until several months after the end of the month; and
- estimated receipts were not recorded in the accounting records, the legal level of control in the 2000 appropriations resolution did not agree to the accounting records, and there were fund classification inconsistencies between budgetary documents and the annual financial reports.

As a result of these problems, the management, Council, and other users of the Village financial records were unable to make informed and timely decisions on the financial position of the Village.

To improve the financial reporting function, the Village Council and/or an audit committee should consider a periodic in depth review of the accounting records to help ensure that they are current, receipts and expenditures are correctly recorded, bank reconciliations accurate and supported, the Council approved budget is recorded in the accounting records, and payroll withholdings are being remitted in a timely manner. Annual financial statements should be reviewed for accuracy and completeness prior to being filed. In addition, a monthly financial package consisting of but not limited to a budget versus actual report, fund balance report, and bank to book reconciliation should be presented to Council.

The Village can use the Ohio Compliance Supplement, the Ohio Revised Code, the Ohio Administrative Code, and the Village Officer's Handbook to assist in the improvement of financial reporting function.

FINDING NUMBER 2001-30233-014

Reportable Condition/Material Weakness

Utility Billing and Collection Procedures

An entity should have in place a system that allows for the accurate billing and collection of utility revenue. Some of the weaknesses identified in the Village's utility billing and collection process are as follows:

- Billing and payment ledgers were not available for all billing and payment periods;
- explanations did not exist as to why some individual customer billings could not be recalculated;
- rate changes were approved by the Village after customers had already been billed at the higher rate;
- the approved rate ordinance had calculation errors at the higher usage levels;
- payment stubs did not clearly show the date of pay or indicate if the amount received represented a past or current billing;
- payment stubs were not maintained in a manner that allowed for agreement to bank deposit slips or postings to payment ledgers;
- utility collections were not always deposited timely; and
- an ordinance supporting the allocation of receipts to the debt services funds was not available.

**FINDING NUMBER 2001-30233-014
(Continued)**

The failure to correct deficiencies in the utility billing and collection process could result in a loss of revenue to the Village, errors or irregularities which may not be detected in a timely manner, and a loss of credibility with the users of the utility system.

The Village should implement procedures to correct the weaknesses identified in the utility system. In addition, consideration should be given to written procedures to help assure that the utility billing and collection process functions as intended by the Village. A periodic review should then be performed by the Village Council and/or an audit committee to help assure that procedures are being followed.

FINDING NUMBER 2001-30233-015

Reportable Condition/Material Weakness

Supporting Documentation and Approval for Expenditures

All expenditures should have documentation that supports the amount of the check, evidence of the receipt of the goods or services, the reason for the expenditure, and evidence of Council approval. The following weaknesses were identified in the Village's processing of non payroll expenditures:

- although the expenditures appeared to be for a proper public purpose, the Village did not have supporting invoices for approximately \$28,000 of expenditures for items such as postage, gas, a truck, a utility barn, and miscellaneous other expenditures. Upon request the Village was able to provide an invoice for the truck purchase. Invoices were not provided for the remaining expenditures;
- charge slips for gas and other purchases were not always signed by Village employees to verify that the purchases have been made by Village personnel. In some instances the charge slips were not maintained and the Village paid from the statement. In one instance the charge slip contained purchases of approximately \$7.00 for pop which was paid by the Village;
- paid invoices were not marked paid;
- the Village did not have a consistent method of approval for expenditures. Village expenditures were approved in the minutes, however, a review of the actual expenditures paid versus the expenditures that were approved in the minutes indicated that expenditures were paid that were not approved in the minutes. Some of the expenditures paid which were not approved in the minutes or lacked supporting invoices, had signatures of a Council or a Board of Public Affairs member on the voucher packet; and
- the Village checks have a place for two authorizing signatures, however, a second signature was not required on the checks.

The lack of adequate supporting documentation for expenditures and evidence of approval could allow for the expenditure of funds for an improper purpose, or result in an incorrect payment or a payment to be made twice for the same expenditure.

The Village should adopt procedures to help assure that: all expenditures have supporting documentation and that this support is maintained with the voucher packet; expenditures are for a valid public purpose; invoices or charge slips are initialed by the employee receiving the goods or services; paid invoices are defaced; all expenditures are approved by Council and/or the BPA and evidence is maintained of this approval; checks have dual signatures or a procedure is adopted that dual signatures will not be required; and the checks used is in agreement with the checks recorded in the accounting system.

The Village Council and/or an audit committee should periodically review non-payroll expenditures to determine if procedures are being followed.

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-30233-001	ORC 5705.41(B) expenditures in excess of appropriations	No	Not corrected, repeated as finding 2001-30233-010
1999-30233-002	ORC 5705.41(D) failure to certify and encumber	No	Not corrected, repeated as finding 2001-30233-011
1999-30233-003	OAC 117-5-11(C) failure to maintain a declining unencumbered balance	No	Requirement was eliminated, not repeated



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VILLAGE OF DUNKIRK

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 12, 2002**