

VILLAGE OF DUNKIRK

HARDIN COUNTY

REGULAR AUDIT

JANUARY 1, 2006 THROUGH DECEMBER 31, 2007

YEARS AUDITED UNDER GAGAS: 2007 AND 2006

CAUDILL & ASSOCIATES CPA's

725 5th Street
Portsmouth, Ohio 45662



Mary Taylor, CPA

Auditor of State

Village Council
Village of Dunkirk
P.O. Box 115
Dunkirk, OH 45836

We have reviewed the *Independent Auditor's Report* of the Village of Dunkirk, Hardin County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2006 to December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Finding for Recovery:

During the period 1/1/07 thru 4/11/08, Thomas Foltz, fiscal officer, forged Village officials signatures and wrote checks to himself in the total amount of \$145,600 and also posted the disbursements to the Village's accounting records. None of the transactions had supporting documentation such as invoices or check stubs. All disbursements were traced to the Village's bank statements.

On July 8, 2008, a Hardin County Grand Jury handed down a 16 Count Indictment against Thomas L. Foltz that included 2 Counts of Theft in Office; 3 Counts of Aggravated Theft; 4 Counts of Tampering with Records; 3 Counts of Forgery; 2 Counts of Identity Fraud; 1 Count of Unauthorized Use of Property; and 1 Count of Unauthorized Use of Computer, Cable or Telecommunication Property.

Monies were illegally expended from the following funds:

General Fund (1000)	\$9,900
Street Construction, Maintenance, And Repair Fund (2011)	37,400
State Highway Fund (2021)	1,700
Water Operating Fund (5101)	49,650
Sewer Operating Fund (5201)	26,550
Enterprise Debt Service Fund – Water Tower (5723)	4,000
Enterprise Improvement Fund – Sewer (5725)	<u>16,400</u>
	\$145,600

Village Council
Village of Dunkirk
P.O. Box 115
Dunkirk, OH 45836
Page 2

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 Thomas Foltz, fiscal officer, and his bonding company, Western Surety Company, jointly and severally, in the total amount of \$145,600 in favor of the Village of Dunkirk funds as disclosed above.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Dunkirk is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 24, 2008

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor’s Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2007	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type For the Year Ended December 31, 2007	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2006	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type For the Year Ended December 31, 2006	6
Notes to the Financial Statements	7
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	15
Schedule of Findings and Responses.....	17
Schedule of Prior Audit Findings.....	24

This Page is Intentionally Left Blank.

Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Independent Auditor's Report

Members of Council
Village of Dunkirk
201 N Main Street
Dunkirk, Ohio 45836

We have audited the accompanying financial statements of the Village of Dunkirk (The Village), Hardin County, Ohio, as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also presenting its larger (i.e. major) funds separately for 2007 and 2006. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position, or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances, and reserves for encumbrances of the Village, as of the December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Members of Council
Village of Dunkirk
Independent Auditor's Report

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

As discussed in Note 10, The Village's Treasurer issued checks totaling \$93,600 to himself in 2007. These payments were not supported by documentation indicating any service was provided, authorized by the Village Council or for a purpose related to the Village's operations. The total amount was reclassified, and shown on the accompanying financial statements as extraordinary item expenditures.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2008, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Caudill & Associates, CPAs

Caudill & Associates, CPAs

April 30, 2008

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES
FOR THE YEARS ENDED DECEMBER 31, 2007**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<u>Cash Receipts:</u>			
Property and Other Taxes	\$ 12,815	\$ -	\$ 12,815
Municipal Income Taxes	60,337	-	60,337
Charges for Services	5,505	-	5,505
Intergovernmental Receipts	28,673	58,432	87,105
Earnings on Investment	9,289	-	9,289
Fines Licences & Permit	4,442	-	4,442
Miscellaneous	1,559	-	1,559
Total Cash Receipts	122,620	58,432	181,052
<u>Disbursements:</u>			
Security of Persons and Property	7,948	-	7,948
Public Health Services	11,177	-	11,177
Leisure Time Activities	7,408	-	7,408
Community Environment	2,076	-	2,076
Basic Utility Services	1,042	-	1,042
Transportation	1,969	50,428	52,397
General Government	82,752	-	82,752
Debt Services:			
Principal Payment	15,000	-	15,000
Interest and Fiscal Charges	314	-	314
Total Cash Disbursements	129,686	50,428	180,114
Total Receipts Over (Under) Disbursements	(7,066)	8,004	938
<u>Other Financing Receipts (Disbursements)</u>			
Proceeds from Notes	15,000	-	15,000
Extraordinary Item - Questionable Expenditures	(5,900)	(17,600)	(23,500)
Total Other Financing Receipts (Disbursements)	9,100	(17,600)	(8,500)
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Disbursements	2,034	(9,596)	(7,562)
Fund Cash Balance, January 1	102,508	33,792	136,300
Fund Cash Balance, December 31	\$ 104,542	\$ 24,196	\$ 128,738
Reserve for Encumbrances, December 31	\$ 268	\$ 854	\$ 1,122

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, 2007**

	PROPRIETARY FUND TYPE
	Enterprise
<u>Operating Cash Receipts</u>	
Charges for Services	\$ 221,986
Fines, Licenses and Fees	1,000
Miscellaneous	2,550
Total Operating Cash Receipts	225,536
<u>Operating Cash Disbursements</u>	
Personal Services	43,227
Fringe Benefits	8,975
Contractual Services	74,817
Supplies and Material	23,603
Miscellaneous	1,870
Total Operating Cash Disbursements	152,492
 Operating Income	 73,044
<u>Non-Operating Cash Receipts</u>	
Special Assessments	5,541
Proceeds from Notes	236,698
Total Non-Operating Cash Receipts	242,239
<u>Non-Operating Cash Disbursements:</u>	
Capital Outlay	(230,910)
Redemption of Principal	(39,246)
Interest and Fiscal Charges	(10,860)
Extraordinary Item - Questionable Expenditures	(70,100)
Total Non-Operating Cash Disbursements	(351,116)
 Excess of Cash Receipts Over/(Under) Disbursements	 (35,833)
 Fund Cash Balances, January 1	 190,157
Fund Cash Balances, December 31	\$ 154,324
 Reserve for Encumbrances, December 31	 \$ -

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

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types		
	General	Special Revenue	Totals (Memorandum Only)
<u>Cash Receipts:</u>			
Property and Other Taxes	\$ 12,702	\$ -	\$ 12,702
Municipal Income Taxes	53,658	-	53,658
Intergovernmental Receipts	61,718	40,176	101,894
Earnings on Investment	7,726	-	7,726
Fines Licences & Permit	5,368	-	5,368
Miscellaneous	7,717	-	7,717
Total Cash Receipts	148,889	40,176	189,065
<u>Disbursements:</u>			
Security of Persons and Property	6,948	-	6,948
Public Health Services	12,904	-	12,904
Leisure Time Activities	66,909	-	66,909
Community Environment	523	-	523
Basic Utility Services	2,271	-	2,271
Transportation	6,016	20,205	26,221
General Government	95,661	-	95,661
Total Cash Disbursements	191,232	20,205	211,437
Total Receipts Over (Under) Disbursements	(42,343)	19,971	(22,372)
<u>Other Financing Receipts (Disbursements)</u>			
Transfers In	-	122	122
Transfers Out	(2,269)	-	(2,269)
Total Other Financing Receipts (Disbursements)	(2,269)	122	(2,147)
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Disbursements	(44,612)	20,093	(24,519)
Fund Cash Balance, January 1	147,120	13,699	160,819
Fund Cash Balance, December 31	\$ 102,508	\$ 33,792	\$ 136,300
Reserve for Encumbrances, December 31	\$ 1,668	\$ -	\$ 1,668

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

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	PROPRIETARY FUND TYPE
	Enterprise
<u>Operating Cash Receipts</u>	
Charges for Services	\$ 194,477
Fines, Licenses and Fees	1,200
Miscellaneous	33,457
Total Operating Cash Receipts	229,134
<u>Operating Cash Disbursements</u>	
Personal Services	39,590
Fringe Benefits	6,763
Contractual Services	59,444
Supplies and Materials	25,450
Miscellaneous	852
Total Operating Cash Disbursements	132,099
Operating Income	97,035
<u>Non-Operating Cash Receipts</u>	
Intergovernmental	272,048
Special Assessments	2,552
Proceeds from Notes	39,956
Transfers-In	2,147
Total Non-Operating Cash Receipts	316,703
<u>Non-Operating Cash Disbursements:</u>	
Capital Outlay	(372,490)
Redemption of Principal	(29,696)
Interest and Fiscal Charges	(5,497)
Total Non-Operating Cash Disbursements	(407,683)
Excess of Cash Receipts and Non-operating Receipts Over/ (Under) Disbursements and Non-operating Disbursements	6,055
Fund Cash Balances, January 1	184,102
Fund Cash Balances, December 31	\$ 190,157
Reserve for Encumbrances, December 31	\$ -

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, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

Basis of Accounting

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

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

B. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. Certificates of deposit are valued at cost.

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Enterprise Funds

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

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

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

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

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be re-appropriated in the subsequent year. The Village encumbered all commitments outstanding at 12/31/2007.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	2007	2006
Demand deposits	\$82,656	\$124,185
Certificates of deposit	200,406	202,272
Total deposits and investments	\$283,062	\$326,457

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$149,284	\$137,620	(\$11,664)
Special Revenue	47,791	58,432	10,641
Enterprise	551,908	467,775	(84,133)
Total	\$748,983	\$663,827	(\$85,156)

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$135,586	\$135,854	(\$268)
Special Revenue	60,200	68,882	(8,682)
Enterprise	539,480	503,608	35,872
Total	\$735,266	\$708,344	\$26,922

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$149,284	\$148,889	(\$395)
Special Revenue	47,791	40,298	(7,493)
Enterprise	551,908	545,837	(6,071)
Total	\$748,983	\$735,024	(\$13,959)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$206,723	\$195,169	\$11,554
Special Revenue	38,550	20,205	18,345
Enterprise	601,135	539,782	61,353
Total	\$846,408	\$755,156	\$91,252

4. PROPERTY TAX

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

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

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

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. LOCAL INCOME TAX

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Income Tax payments to the Village were \$60,337 and \$53,658 for 2007 and 2006, respectively.

6. DEBT

Debt outstanding at December 31, 2007 was as follows:

Loan Description	Principal	Interest Rate
Ohio Water Development Authority # 2652	\$48,586	2.00%
Ohio Water Development Authority # 1547	43,640	7.86%
Ohio Water Development Authority # 4600	267,654	4.82%
Ohio Public Works Commission Loan CP012	52,495	0%
Ohio Public Works Commission Loan CP08H	166,443	0%
Total	\$578,818	

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

The OWDA loan # 4600 relates to the installation of a new sanitary sewer lines a new storm sewer within the Village. The loan was entered into on 10/26/2006 for \$360,000. At 12/31/2007, only \$267,654 was disbursed and outstanding. The Loan will be paid semi-annually installments of \$9,000, over four years and with a final lump-sum payment at maturity of \$279,000 (principal) and 476,997 (Interest), at maturity scheduled for July 1, 2012. The OWDA loan is collateralized by sewer receipts.

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

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

The Village contracted a loan in 2007 with First Citizens National Bank for \$15,000. The loan was paid in full in 2007.

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. DEBT (Continued)

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

Year Ending	OWDA # 2652	OWDA # 1547	OWDA # 4600	OPWC # CP012	OPWC # CP08H	Total
2008	\$ 10,307	\$ 12,815	\$ 18,000	\$ 5,000	\$ 9,247	\$ 55,369
2009	10,307	12,815	18,000	5,000	9,247	55,369
2010	10,307	12,815	18,000	5,000	9,247	55,369
2011	10,307	12,815	18,000	5,000	9,247	55,369
2012	10,307	12,815	272,651	5,000	9,247	310,020
2013-2017	0	0	0	25,000	46,235	71,235
2018-2022	0	0	0	2,497	46,235	48,732
2023-2027	0	0	0	0	27,738	27,738
Total	<u>\$ 51,535</u>	<u>\$ 64,075</u>	<u>\$ 344,651</u>	<u>\$52,497</u>	<u>\$ 166,443</u>	<u>\$ 679,201</u>

7. RETIREMENT SYSTEMS

Ohio Public Employees Retirement System (OPERS)

Village officials and employees belong to OERS of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. OPERS members were required to contribute 9.0 and 9.5 percent of their gross salaries, and the Village was required to contribute an amount equal to 13.55 and 13.80 percent of participants' gross salaries in 2006 and 2007 respectively. The Village has paid all contributions required through December 31, 2007.

8. RISK MANAGEMENT

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

PEP retains casualty risk up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate year. Governments can elect additional coverage from \$2,000,000 with General Reinsurance Corporation, through contracts with PEP. If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Beginning in 2005, Travelers Indemnity Company reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 (latest information available) was \$1,682,589.

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

8. RISK MANAGEMENT (Continued)

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 Village. Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

PEP's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 (latest information available):

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	<u>(15,875,741)</u>	<u>(15,994,168)</u>
Retained Earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>
<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	<u>(863,163)</u>	<u>(1,068,246)</u>
Retained Earnings	<u>\$4,262,163</u>	<u>\$3,375,086</u>

9. JOINTLY GOVERNED ORGANIZATION

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

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

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

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

10. COMPLIANCE

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

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

Contrary to the Ohio Revised Code Section 5705.41(B), the Village had expenditures in excess of its appropriations on several funds.

11. QUESTIONABLE EXPENDITURES - SUBSEQUENT EVENTS

The Village's Treasurer, Thomas L. Foltz wrote 56 checks to himself totaling \$93,600 in 2007 and \$52,000 in 2008, and deposited them in his personal bank account.

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

The total of \$93,600 in 2007 was reclassified and presented in the financial statements as extraordinary items.

12. MISCELLANEOUS REVENUES

In 2006, the Village received \$33,457 of insurance recovery proceeds due to damage in the Water Tower. The \$33,457 was recorded as miscellaneous revenues in the Enterprise Fund.

Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Village Council
Village of Dunkirk
201 N. Main Street
Dunkirk, Ohio 45836

We have audited the financial statements of The Village of Dunkirk (the Village), Hardin County, as of and for the years ended December 31, 2007 and 2006, which, and have issued our report thereon dated April 30, 2008, wherein we noted the Village follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as items 2007-002, 2007-003, 2007-004, 2007-005, 2007-006, 2007-007, 2007-008 and 2007-009.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Village of Dunkirk
Hardin County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the following deficiencies described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting as items 2007-002, 2007-003, 2007-004, 2007-005, 2007-006, 2007-007, 2007-008 and 2007-009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items 2007-001, 2007-002, and 2007-003.

We noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated April 30, 2008.

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

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

Caudill & Associates, CPA's

Caudill & Associates, CPA's
April 30, 2008

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Noncompliance Citation – Ohio Rev. Code Section 5705.36

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

Notification of reduced receipts, resulting in resources below the level of current appropriations, was not made to the commission as required. Appropriations were greater than resources available for Sewer Debt by \$2,016, Enterprise Improvement Waterline by \$4,395, and Enterprise Improvement Sewer Separation by \$1,636 for 2006 and the Enterprise Improvement Waterline fund by \$65,006 for 2007.

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

Village Response:

The Village Council and the Mayor are working together to implement necessary controls and procedures to safeguard public assets. The fiscal officer has been replaced with an experienced clerk. The Mayor and President of the Board of Public Affairs have been given specific duties regarding the oversight of daily operations. The Finance Committee and Council will review monthly reports, reconciliations, receipts, and expenses to help assure proper internal control and budgetary oversight is accomplished and documented.

FINDING NUMBER 2007-002

Noncompliance Citation – Ohio Rev. Code Section 5705.41 (D) Material Weakness

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

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

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

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-002 (Continued)

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

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

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

Eighty-five percent (85%) and seventy-six percent (76%) of the expenditures tested were not properly certified in 2006 and 2007, respectively. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

We recommend the Village implement policies to improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations.

Village Response:

The Village Council and the Mayor are working together to implement necessary controls and procedures to safeguard public assets. The fiscal officer has been replaced with an experienced clerk. The Mayor and President of the Board of Public Affairs have been given specific duties regarding the oversight of daily operations. The Finance Committee and Council will review monthly reports, reconciliations, receipts, and expenses to help assure proper internal control and budgetary oversight is accomplished and documented.

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-003

Noncompliance Citation – Ohio Rev. Code Section 5705.41 (B) Material Weaknesses

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

Contrary to this requirement, disbursements exceeded appropriations in the Sewer Separation Fund by \$402 during 2006. In 2007, disbursements exceeded appropriations in the Street Construction by \$7,058, State Highway by \$770, Water by \$9,609, Sewer by \$15,211, Water Tower Debt by \$3,946, and Clear Well by \$2,475.

We recommend the Village monitor budgetary financial reports throughout the year to prevent budgetary expenditures from exceeding appropriations at the legal level of control.

Village Response:

The Village Council and the Mayor are working together to implement necessary controls and procedures to safeguard public assets. The fiscal officer has been replaced with an experienced clerk. The Mayor and President of the Board of Public Affairs have been given specific duties regarding the oversight of daily operations. The Finance Committee and Council will review monthly reports, reconciliations, receipts, and expenses to help assure proper internal control and budgetary oversight is accomplished and documented.

FINDING NUMBER 2007-004

Material Weakness – Income Tax System Process

The Village utilizes a software program to record all income tax data. Detailed reports are to be printed daily and reconciled to the Uniform Accounting Network (UAN) register report.

During testing, it was noted that income tax payments were not posted on the day received. It was also noted that no reconciliation is being done between the UAN system and the income tax system to help assure completeness of receipts.

Not adequately utilizing the income tax system and maintaining appropriate controls, including reconciliations with the UAN accounting system, could allow for errors or irregularities occurring without detection and could result in misstatement of financial statements.

The Village should:

- (1) Post all receipts on the day received.
- (2) Complete reconciliations between the income tax system and UAN accounting system, daily.
- (3) Review reconciliation reports on a monthly basis by the Finance Committee and investigate any large variances.

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-004 (Continued)

Village Response:

The Village Council and the Mayor are working together to implement necessary controls and procedures to safeguard public assets. The fiscal officer has been replaced with an experienced clerk. The Mayor and President of the Board of Public Affairs have been given specific duties regarding the oversight of daily operations. The Finance Committee and Council will review monthly reports, reconciliations, receipts, and expenses to help assure proper internal control and budgetary oversight is accomplished and documented.

FINDING NUMBER 2007-005

Material Weakness – Utility System Process

The Village utilizes a software program to record and process water and sewer utility billing and collections. Detailed reports are to be printed daily and reconciled to the Uniform Accounting Network (UAN) register report.

During testing, it was noted that the payments received and posted to the utility system did not agree with the UAN accounting system. Additionally, customer deposits recorded on the Utility system were significantly higher than reported on the UAN accounting system. No reconciliation between the two systems was evidenced to help assure completeness of receipts and accuracy of financial statements.

Not adequately utilizing the water and sewer utility billing system and maintaining appropriate controls could allow for errors or irregularities occurring without detection and could result in misstatement of financial statements.

The Village should:

- (1) Post all receipts on the day received.
- (2) Complete reconciliations between the utility system and UAN accounting system, daily.
- (3) Review the reconciliation reports on a monthly basis by the Finance Committee and investigate any large variances.

Village Response:

The Village Council and the Mayor are working together to implement necessary controls and procedures to safeguard public assets. The fiscal officer has been replaced with an experienced clerk. The Mayor and President of the Board of Public Affairs have been given specific duties regarding the oversight of daily operations. The Finance Committee and Council will review monthly reports, reconciliations, receipts, and expenses to help assure proper internal control and budgetary oversight is accomplished and documented.

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-006

Material Weakness – Failure to properly record revenues

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for audits during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the auditor to report *in writing* to management and the governing body any control deficiencies found during the engagement that are considered significant deficiencies and/or material weaknesses.

During 2007 and 2006, the Village erroneously posted several receipts that required reclassification.

Failure to accurately present receipts will result in financial statements being misstated.

The Village should implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatement in the financial statements and footnotes.

Village Response:

The Village Council and the Mayor are working together to implement necessary controls and procedures to safeguard public assets. The fiscal officer has been replaced with an experienced clerk. The Mayor and President of the Board of Public Affairs have been given specific duties regarding the oversight of daily operations. The Finance Committee and Council will review monthly reports, reconciliations, receipts, and expenses to help assure proper internal control and budgetary oversight is accomplished and documented.

FINDING NUMBER 2007-007

Material Weakness – Financial Control Procedures and Documentation

An important internal control is the Village Finance Committee. The Finance Committee should be responsible for reviewing financial reports prepared by the Clerk and presenting them to Council each month for review and approval. The reports to be reviewed include: cash reconciliations, statements showing receipts, disbursements and budgetary information, check registers, and utility and tax system reports and reconciliations.

The Village did not maintain evidence of control procedures for the review and approval of financial reports and activities. The minute record did not always record monthly reviews by Council and none of the reports showed evidence of review or approval.

We recommend the Finance Committee review the monthly financial reports, including bank statements, disbursements and receipts with budget comparisons, check registers, and reconciliations of cash, utility system receipts, and tax receipts and present to Council. Any significant variances should be investigated. Because of the system complexity and the responsibility of reviewing the Village financial records, we recommend continuing education for any Council member who requests.

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-007 (Continued)

Review and approval of financial reports should be recorded in the minute record and also evidenced on the actual documents by signing or initially. Failure to maintain evidence of control procedures eliminates any credibility that the control was actually performed.

Village Response:

The Village Council and the Mayor are working together to implement necessary controls and procedures to safeguard public assets. The fiscal officer has been replaced with an experienced clerk. The Mayor and President of the Board of Public Affairs have been given specific duties regarding the oversight of daily operations. The Finance Committee and Council will review monthly reports, reconciliations, receipts, and expenses to help assure proper internal control and budgetary oversight is accomplished and documented.

FINDING NUMBER 2007-008

Material Weakness – Failure to maintain adequate segregation of duties

Writing of checks, vendor and payroll, completion of cash reconciliations, issuance of financial statements, processing water and sewer bills and payments and maintaining the income tax system and payments are being done by one individual, the Clerk.

Adequate internal controls and control procedures over cash should be maintained to safeguard cash assets against waste, loss and misuse. Without proper controls, dishonesty or mistakes could go unnoticed.

The Village should establish, implement, and monitor a system of internal controls to provide reasonable assurance cash is protected. The system should ensure duties are segregated with individual accountability established and maintained.

Village Response:

The Village Council and the Mayor are working together to implement necessary controls and procedures to safeguard public assets. The fiscal officer has been replaced with an experienced clerk. The Mayor and President of the Board of Public Affairs have been given specific duties regarding the oversight of daily operations. The Finance Committee and Council will review monthly reports, reconciliations, receipts, and expenses to help assure proper internal control and budgetary oversight is accomplished and documented.

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-009

Material Weakness – Questionable Payments to the Clerk/Treasurer

During a test of non-payroll disbursements, several large disbursements in the name of the Clerk/Treasurer were noted beginning in April 2007 and continuing through April 2008. Further investigation revealed no supporting documentation such as invoices, purchase orders, or check stubs; however, all disbursements were able to be traced to the Village bank statements. Per review of the minutes, none of the disbursements made to the Clerk were approved by Council. All checks disbursed on behalf of the Village are required to be signed by both the Clerk and Mayor. All checks disbursed to the Clerk included both signatures; however, the Mayor stated her signature was forged by the Clerk.

In 2007 and 2008, the Village Clerk wrote 56 checks to himself totaling \$93,600 and \$52,000 respectively. None of the checks in question were for payments supported by any sort of documentation indicating whether a service was provided to the Village, or that they were authorized by the Village Council.

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

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

The Village should establish, implement, and monitor a system of internal controls to provide reasonable assurance that all disbursements made on behalf of the Village are for a proper public purpose. Council should approve all disbursements and supporting documentation (i.e. invoices, purchase orders, cancelled checks, etc.) should be maintained. The Village should also implement adequate segregation of duties as outlined in Findings Nos. 2007-008 and 2007-007.

Village Response:

The Village Council and the Mayor are working together to implement necessary controls and procedures to safeguard public assets. The fiscal officer has been replaced with an experienced clerk. The Mayor and President of the Board of Public Affairs have been given specific duties regarding the oversight of daily operations. The Finance Committee and Council will review monthly reports, reconciliations, receipts, and expenses to help assure proper internal control and budgetary oversight is accomplished and documented.

Village of Dunkirk
Hardin County
Schedule of Prior Audit Findings
For the Fiscal Years Ended December 31, 2007 and 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-001	ORC Section – 5705.41(D)	No	Repeated as Finding 2007-002
2005-002	ORC Section – 5705.09	Yes	
2005-003	ORC Section – 5705.10	Yes	
2005-004	Deficiencies in Financial Operations	No	Repeated as Findings 2007-004, 2007-005, 2007-006, & 2007-007
2005-005	Depositing of Utility Revenue	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF DUNKIRK

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 13, 2008**