

Village of Dunkirk

Hardin County

January 1, 2010 through December 31, 2011

Years Audited Under GAGAS: 2010 and 2011



Caudill & Associates, CPA

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Dave Yost • Auditor of State

Village Council
Village of Dunkirk
201 North Main Street
Dunkirk, Ohio 45836

We have reviewed the *Independent Auditor's Report* of the Village of Dunkirk, Hardin County, prepared by Caudill & Associates, CPAs, for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

December 26, 2012

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**VILLAGE OF DUNKIRK
HARDIN COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Village of Dunkirk
Hardin County
201 N. Main Street
Dunkirk, Ohio 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, 2011 and 2010. 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 reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 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, 2011 and 2010, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Members of the Council
Village of Dunkirk
Independent Auditor's Report

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010, of the Village of Dunkirk, Hardin County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1.H, during 2011 the Village of Dunkirk adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Village's financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subject to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Caudill & Associates, CPA

Caudill & Associates, CPA

July 09, 2012

**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, 2011**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<u>Cash Receipts:</u>			
Property and Other Taxes	\$ 14,018	\$ -	\$ 14,018
Municipal Income Taxes	67,422	-	67,422
Charges for Services	-	1,400	1,400
Intergovernmental Receipts	60,754	35,914	96,668
Fines Licenses & Permits	4,803	-	4,803
Earnings on Investments	2,044	31	2,075
Miscellaneous	6,162	-	6,162
Total Cash Receipts	155,203	37,345	192,548
<u>Disbursements:</u>			
Security of Persons and Property	10,300	-	10,300
Public Health Services	7,160	-	7,160
Leisure Time Activities	39,783	628	40,411
Community Environment	5,845	-	5,845
Basic Utility Services	1,156	490	1,646
Transportation	9,533	44,474	54,007
General Government	63,688	-	63,688
Capital Outlay	-	2,505	2,505
Total Cash Disbursements	137,465	48,097	185,562
Total Receipts Over (Under) Disbursements	17,738	(10,752)	6,986
<u>Other Financing Receipts (Disbursements):</u>			
Transfers-Out	(1,911)	-	(1,911)
Sale of Capital Assets	-	5,775	5,775
Other Financing Uses	(664)	-	(664)
Total Other Financing Receipts (Disbursements)	(2,575)	5,775	3,200
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Disbursements	15,163	(4,977)	10,186
Fund Cash Balance, January 1	125,895	51,908	177,803
<u>Fund Cash Balances, December 31</u>			
Restricted	-	46,931	46,931
Unassigned	141,058	-	141,058
Fund Cash Balance, December 31	\$ 141,058	\$ 46,931	\$ 187,989

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, 2011**

	PROPRIETARY FUND TYPE
	Enterprise
<i>Operating Cash Receipts:</i>	
Charges for Services	\$ 295,616
Total Operating Cash Receipts	295,616
<i>Operating Cash Disbursements:</i>	
Personal Services	53,360
Fringe Benefits	8,423
Contractual Services	101,216
Supplies and Materials	20,064
Miscellaneous	2,000
Total Operating Cash Disbursements	185,063
Operating Income / (Loss)	110,553
<i>Non-Operating Cash Receipts:</i>	
Intergovernmental	1,998,755
Other Debt Proceeds	2,223,067
Miscellaneous Receipts	3,465
Total Non-Operating Cash Receipts	4,225,287
<i>Non-Operating Cash Disbursements:</i>	
Capital Outlay	(3,817,784)
Debt Service - Principal	(390,623)
Debt Service - Interest	(1,367)
Total Non-Operating Cash Disbursements	(4,209,774)
Excess of Receipts Over/ (Under) Disbursements Before Interfund Transfers and Advances	126,066
Transfers-In	1,911
Net Receipts Over/(Under) Disbursements	127,977
Fund Cash Balances, January 1	312,650
Fund Cash Balances, December 31	\$ 440,627

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

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<u>Cash Receipts:</u>			
Property and Other Taxes	\$ 13,264	\$ -	\$ 13,264
Municipal Income Taxes	63,016	-	63,016
Intergovernmental Receipts	25,565	36,461	62,026
Charges for Services	-	950	950
Fines Licenses & Permits	4,215	-	4,215
Earnings on Investments	3,486	46	3,532
Miscellaneous	5,686	1,282	6,968
 Total Cash Receipts	 115,232	 38,739	 153,971
<u>Disbursements:</u>			
Security of Persons and Property	9,775	-	9,775
Public Health Services	7,186	-	7,186
Leisure Time Activities	4,004	4,784	8,788
Community Environment	4,226	-	4,226
Basic Utility Services	935	937	1,872
Transportation	5,616	37,959	43,575
General Government	73,517	-	73,517
 Total Cash Disbursements	 105,259	 43,680	 148,939
 Total Receipts Over (Under) Disbursements	 9,973	 (4,941)	 5,032
 Fund Cash Balance, January 1	 115,922	 56,849	 172,771
 Fund Cash Balance, December 31	 \$ 125,895	 \$ 51,908	 \$ 177,803

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, 2010**

	PROPRIETARY FUND TYPE
	Enterprise
<i>Operating Cash Receipts:</i>	
Charges for Services	\$ 298,289
Total Operating Cash Receipts	298,289
<i>Operating Cash Disbursements:</i>	
Personal Services	42,160
Fringe Benefits	6,950
Contractual Services	79,511
Supplies and Materials	16,523
Miscellaneous	1,788
Total Operating Cash Disbursements	146,932
Operating Income / (Loss)	151,357
<i>Non-Operating Cash Receipts:</i>	
Intergovernmental	54,940
Other Debt Proceeds	227,266
Other Financing Sources	7,700
Total Non-Operating Cash Receipts	289,906
<i>Non-Operating Cash Disbursements:</i>	
Capital Outlay	(311,124)
Debt Service - Principal	(53,684)
Debt Service - Interest	(46,918)
Total Non-Operating Cash Disbursements	(411,726)
Net Receipts Over/(Under) Disbursements	29,537
Fund Cash Balances, January 1	283,113
Fund Cash Balances, December 31	\$ 312,650

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, 2011 AND 2010**

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, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Enterprise Funds

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

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

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

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

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled and re-appropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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.

H. Fund Balance

For December 31, 2011, Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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:

	2011	2010
Demand deposits	\$435,206	\$297,554
Certificates of deposit	193,410	192,899
Total deposits and investments	\$628,616	\$490,453

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, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$288,087	\$155,203	(\$132,884)
Special Revenue	133,220	43,120	(90,100)
Enterprise	6,694,959	4,522,814	(2,172,145)
Total	\$7,116,266	\$4,721,137	(\$2,395,129)

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$294,542	\$140,040	\$154,502
Special Revenue	155,375	48,097	107,278
Enterprise	6,677,043	4,394,837	2,282,206
Total	\$7,126,960	\$4,582,974	\$2,543,986

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$118,970	\$115,232	(\$3,738)
Special Revenue	51,350	38,739	(12,611)
Enterprise	6,111,840	588,195	(5,523,645)
Total	\$6,282,160	\$742,166	(\$5539,994)

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

3. BUDGETARY ACTIVITY (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$116,266	\$105,259	\$11,007
Special Revenue	51,449	43,680	7,769
Enterprise	6,156,690	558,658	5,598,032
Total	\$6,324,405	\$707,597	\$5,616,808

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.

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 \$67,422 and \$63,016 for 2011 and 2010, respectively.

6. DEBT

Debt outstanding at December 31, 2011 was as follows:

<u>Loan Description</u>	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority # 2652	\$10,107	2.00%
Ohio Water Development Authority # 1547	10,050	7.86%
Ohio Public Works Commission Loan CP012	32,497	0%
Ohio Public Works Commission Loan CP08H	129,455	0%
Ohio Public Works Commission Loan CP22K	173,478	0%
USDA Loan Series 2011	2,217,889	3.75%
Total	\$2,573,476	

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

6. DEBT (Continued)

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. This loan was paid in full in May 2011.

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 OPWC loan CP22K, entered into on July 1, 2010 in the amount of \$182,608 at 0% interest, relates to a water treatment improvements. The loan will be repaid in semiannual installments of \$3,043, over 30 years with final maturity scheduled for July 1, 2040. The loan is collateralized by water receipts.

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

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

Year Ending	OWDA # 2652	OWDA # 1547	OPWC # CP012	OPWC # CP08H	OPWC # CP22K	USDA 2011 Series	Total
2012	\$ 10,307	\$ 12,815	\$ 5,000	\$ 9,247	\$ 6,086	\$ 76,313	\$ 119,768
2013	0	0	5,000	9,247	6,086	108,300	128,633
2014	0	0	5,000	9,247	6,086	108,233	128,566
2015	0	0	5,000	9,247	6,086	108,231	128,564
2016	0	0	5,000	9,247	6,086	108,293	128,626
2017-2021	0	0	7,497	46,235	30,430	541,250	625,412
2022-2026	0	0	0	36,985	30,430	541,250	608,665
2027-2031	0	0	0	0	30,430	541,250	571,680
2032-2036	0	0	0	0	30,430	541,250	571,680
2037-2041	0	0	0	0	21,328	541,250	562,578
2042-2046	0	0	0	0	0	541,250	541,250
2047-2051	0	0	0	0	0	541,548	541,548
Total	\$ 10,307	\$ 12,815	\$ 32,497	\$ 129,455	\$ 173,478	\$ 4,298,418	\$ 4,656,970

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10 % of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

8. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	<u>(14,320,812)</u>	<u>(15,256,862)</u>
Net Assets	<u>\$20,631,198</u>	<u>\$21,118,036</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Village's share of these unpaid claims collectible in future years is approximately \$8,000.

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

8. RISK MANAGEMENT (Continued)

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

<u>Contributions to PEP</u>	
<u>2011</u>	<u>2010</u>
\$8,049	\$6,771

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

9. JOINTLY GOVERNED 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.

10. SUBSEQUENT EVENTS

During 2012, the Village was approved for OWPC loan #CT87M in the amount of \$500,000 at 0% for a 30 year term. As of 7/9/2012, the Village had disbursed \$299,900 of the loan.

11. COMPLIANCE

Contrary to Ohio Rev. Code 5705.36, the Village's appropriations were greater than estimated resources in fiscal years 2011 and 2010, in the Enterprise Improvement Sewer Separation Fund.



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Kentucky Society of Certified Public Accountants

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

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

To the Village Council:

We have audited the financial statements of the Village of Dunkirk, Hardin County, Ohio, (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 09, 2012, wherein we noted the Village adopted Governmental Accounting Standards Board Statement No. 54 (GASB 54) in 2011. The Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Village of Dunkirk
Hardin County

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-001 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under Government Auditing Standards, which is described in the accompanying schedule of findings and questioned costs as item 2011-002.

The Village's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, Village Council, federal awarding agencies, pass-through entities, the Auditor of State and others within the Village. We intend it for no one other than these specified parties.

Caudill & Associates, CPA

Caudill & Associates, CPA

July 09, 2012



Caudill & Associates, CPA

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

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

To the Village Council

Compliance

We have audited the compliance of the Village of Dunkirk, (the Village) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Village of Dunkirk's major federal programs for the year ended December 31, 2011. The *summary of auditor's results* section of the accompanying schedule of findings and questioned costs identifies the Village's major federal programs. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Village's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Government's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with these requirements.

In our opinion, the Village of Dunkirk complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

Members of the Village Council
Village of Dunkirk

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the management, Village Council, federal awarding agencies, Auditor of State, pass-through entities and others within the Village. It is not intended for anyone other than these specified parties.

Caudill & Associates, CPA

Caudill & Associates, CPA

July 09, 2012

VILLAGE OF DUNKIRK
HARDIN COUNTY

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>United States Department of Housing and Urban Development</u>			
<i>Passed through the Ohio Department of Development</i>			
Community Development Block Grant	C-R-09-2HE-1	14.225	\$ 590,000
Total U.S. Department of Housing and Urban Development			<u>\$ 590,000</u>
<u>United States Department of Housing and Urban Development</u>			
ARRA - Water and Waste Disposal Systems for Rural Communities	N/A	10.781	2,402,832
Total U.S. Department of Agriculture			<u>2,402,832</u>
Total Federal Awards			<u><u>\$ 2,992,832</u></u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**VILLAGE OF DUNKIRK
HARDIN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE A - BASIS OF ACCOUNTING

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

NOTE B – MATCHING REQUIREMENTS

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

**VILLAGE OF DUNKIRK
HARDIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2011**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<i>Community Development Block Grant: CFDA 14.225</i> <i>ARRA – Water and Waste Disposal Systems for Rural Communities, CFDA 10.781</i>
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**VILLAGE OF DUNKIRK
HARDIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-001

Significant Deficiency – Misclassification of Receipts, and Debt payments

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. 115 establishes standards, responsibilities and guidance for auditor during a financial statements audit engagement for identifying and evaluating a client’s internal control over financial reporting. This new standard requires the audit to report in writing to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses.

During 2011 and 2010, the Village erroneously posted receipts, and debt payments to the wrong account codes. This required reclassifications to properly reflect the activity of the Village for both years.

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

Village Response:

The Village will ensure that all postings are made appropriately.

FINDING NUMBER 2011-002

Noncompliance Citation – Ohio Rev. Code Section 5705.36

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

Notification of reduced receipts, resulting in resources below the level of current appropriations, was not made to the commission as required. Appropriations were greater than resources available for the Enterprise Improvement Sewer Separation for 2011 and 2010.

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

Village Response:

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

**VILLAGE OF DUNKIRK
HARDIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None Noted.

Village of Dunkirk
Hardin County
Schedule of Prior Audit Findings
For the Fiscal Years Ended December 31, 2011 and 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2009-001	ORC Section – 5705.36	No	Reissued as Finding 2011-002
2009-002	ORC Section – 5705.41(D)	Yes	Finding no longer Valid
2009-003	Failure to Properly Post Receipts	No	Partially corrected, Reissued as Finding 2011-001
2009-004	Questionable Payments to Former Fiscal Officer	Yes	Finding no longer Valid



Dave Yost • Auditor of State

VILLAGE OF DUNKIRK

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 8, 2013