

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF DUNKIRK  
JAY COUNTY, INDIANA

January 1, 2011 to December 31, 2011



**FILED**  
08/21/2012



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jane A. Kesler Phonnie Kesler	01-01-08 to 12-31-11 01-01-12 to 12-31-15
Mayor	Ronald Hunt Daniel W. Watson	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Common Council	A. Craig Faulkner Thomas D. Johnson Judy D. Garr	01-01-11 to 12-31-11 01-01-12 to 05-28-12 05-29-12 to 12-31-12
Superintendent of Water Utility	Howard Fisher Dace Mumbower	01-01-11 to 09-12-11 09-13-11 to 12-31-12
Superintendent of Wastewater Utility	Timothy L. Kesler	01-01-11 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF DUNKIRK, JAY COUNTY, INDIANA

We have audited the accompanying financial statement of the City of Dunkirk (City), for the year ended December 31, 2011. This financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated July 26, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 26, 2012



**STATE OF INDIANA**  
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF DUNKIRK, JAY COUNTY, INDIANA

We have audited the financial statement of the City of Dunkirk (City), for the year ended December 31, 2011, and have issued our report thereon dated July 26, 2012. 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 City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the City's management, the Common Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 26, 2012

## FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF DUNKIRK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 514,361	\$ 1,113,610	\$ 1,034,631	\$ 593,340
Motor Vehicle Highway	98,046	185,893	198,820	85,119
Economic Development Income Tax	34,171	56,353	41,557	48,967
Law Enforcement Continuing Education	10,875	1,168	-	12,043
Clerk's Record Perpetuation	322	250	-	572
Drug Free Allotment	51	-	-	51
Park Nonreverting Operating	43,939	8,499	6,716	45,722
Rainy Day	89,038	-	8,917	80,121
Police K-9	449	400	849	-
Cumulative Capital Improvement	35,520	7,599	-	43,119
Police Pension	45,282	21,115	21,099	45,298
City Court	9,970	17,062	17,195	9,837
Library Planning Grant	-	29,104	24,490	4,614
Nonreverting Repair and Maintenance	(3,533)	3,533	-	-
Trash Collection	3,006	125,842	126,996	1,852
LOIT Public Safety	6,241	44,209	3,500	46,950
Fire Equipment	6,578	35	-	6,613
COPS Grant	17,094	-	17,094	-
Capital Improvement	839	-	-	839
DTR Economic Development	149,460	2,520	21,415	130,565
Highlands Subdivision	900	-	-	900
Fire Equipment Donation	100	-	-	100
Local Road and Street	6,742	8,560	5,890	9,412
Payroll	14,982	1,053,760	1,055,342	13,400
Planning and Zoning	(1,384)	1,384	-	-
User Fee	6,859	20	4	6,875
Wastewater Utility SRF Bond and Interest	45,282	132,507	129,073	48,716
Wastewater Utility Operating	81,198	758,042	773,690	65,550
Wastewater Utility Bond and Interest	3,081	32	3,113	-
Wastewater Utility SRF Debt Service Reserve	120,087	1	137	119,951
Wastewater Utility Improvement	636,479	152,466	119,184	669,761
Water Utility SRF Debt Service Reserve	107,945	25,710	1,027	132,628
Water Utility Retainage - R.E. Crosby	21,638	43,880	10	65,508
Water Utility Retainage - RCM Excavating	17,295	-	-	17,295
Water Utility OCRA Grant	-	442,422	442,422	-
Water Utility Construction	-	510,001	510,001	-
Water Utility Operating	219,313	731,091	900,354	50,050
Water Utility Bond and Interest	64,565	162,125	155,975	70,715
Water Utility Meter Deposits	46,399	8,600	11,224	43,775
Water Utility Depreciation	46,640	255,242	78,264	223,618
Totals	<u>\$ 2,499,830</u>	<u>\$ 5,903,035</u>	<u>\$ 5,708,989</u>	<u>\$ 2,693,876</u>

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

CITY OF DUNKIRK  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, trash, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax

CITY OF DUNKIRK  
NOTES TO FINANCIAL STATEMENT  
(Continued)

received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Penalties which include fees received for late payments.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

CITY OF DUNKIRK  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

CITY OF DUNKIRK  
NOTES TO FINANCIAL STATEMENT  
(Continued)

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement any replacement items purchased.

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

CITY OF DUNKIRK  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. 1925 Police Officers' Pension Plan*

*Plan Description*

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

*Funding Policy*

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

*On Behalf Payments*

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

*C. 1977 Police Officers' and Firefighters' Pension and Disability Fund*

*Plan Description*

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy*

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

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## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF DUNKIRK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Economic Development Income Tax	Law Enforcement Continuing Education	Clerk's Record Perpetuation	Drug Free Allotment	Park Nonreverting Operating
Cash and investments - beginning	\$ 514,361	\$ 98,046	\$ 34,171	\$ 10,875	\$ 322	\$ 51	\$ 43,939
Receipts:							
Taxes	706,853	108,330	-	-	-	-	-
Licenses and permits	562	-	-	540	-	-	-
Intergovernmental	338,375	74,423	56,353	-	-	-	-
Charges for services	41,204	1,550	-	210	-	-	8,499
Fines and forfeits	2,887	-	-	418	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	<u>23,729</u>	<u>1,590</u>	<u>-</u>	<u>-</u>	<u>250</u>	<u>-</u>	<u>-</u>
Total receipts	<u>1,113,610</u>	<u>185,893</u>	<u>56,353</u>	<u>1,168</u>	<u>250</u>	<u>-</u>	<u>8,499</u>
Disbursements:							
Personal services	677,751	102,418	-	-	-	-	111
Supplies	68,724	11,181	-	-	-	-	6,605
Other services and charges	201,905	13,085	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	35,955	72,136	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	<u>50,296</u>	<u>-</u>	<u>41,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>1,034,631</u>	<u>198,820</u>	<u>41,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,716</u>
Excess (deficiency) of receipts over disbursements	<u>78,979</u>	<u>(12,927)</u>	<u>14,796</u>	<u>1,168</u>	<u>250</u>	<u>-</u>	<u>1,783</u>
Cash and investments - ending	<u>\$ 593,340</u>	<u>\$ 85,119</u>	<u>\$ 48,967</u>	<u>\$ 12,043</u>	<u>\$ 572</u>	<u>\$ 51</u>	<u>\$ 45,722</u>

CITY OF DUNKIRK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Rainy Day	Police K-9	Cumulative Capital Improvement	Police Pension	City Court	Library Planning Grant	Nonreverting Repair and Maintenance
Cash and investments - beginning	\$ 89,038	\$ 449	\$ 35,520	\$ 45,282	\$ 9,970	\$ -	\$ (3,533)
Receipts:							
Taxes	-	-	-	21,115	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	7,599	-	-	29,104	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	17,062	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	400	-	-	-	-	3,533
Total receipts	-	400	7,599	21,115	17,062	29,104	3,533
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	849	-	-	-	-	-
Other services and charges	-	-	-	-	-	24,490	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	8,917	-	-	21,099	17,195	-	-
Total disbursements	8,917	849	-	21,099	17,195	24,490	-
Excess (deficiency) of receipts over disbursements	(8,917)	(449)	7,599	16	(133)	4,614	3,533
Cash and investments - ending	\$ 80,121	\$ -	\$ 43,119	\$ 45,298	\$ 9,837	\$ 4,614	\$ -

CITY OF DUNKIRK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Trash Collection	LOIT Public Safety	Fire Equipment	COPS Grant	Capital Improvement	DTR Economic Development	Highlands Subdivision
Cash and investments - beginning	\$ 3,006	\$ 6,241	\$ 6,578	\$ 17,094	\$ 839	\$ 149,460	\$ 900
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	44,209	-	-	-	-	-
Charges for services	125,842	-	35	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	2,520	-
Total receipts	<u>125,842</u>	<u>44,209</u>	<u>35</u>	<u>-</u>	<u>-</u>	<u>2,520</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	126,996	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	3,500	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	17,094	-	21,415	-
Total disbursements	<u>126,996</u>	<u>3,500</u>	<u>-</u>	<u>17,094</u>	<u>-</u>	<u>21,415</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(1,154)</u>	<u>40,709</u>	<u>35</u>	<u>(17,094)</u>	<u>-</u>	<u>(18,895)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,852</u>	<u>\$ 46,950</u>	<u>\$ 6,613</u>	<u>\$ -</u>	<u>\$ 839</u>	<u>\$ 130,565</u>	<u>\$ 900</u>

CITY OF DUNKIRK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Fire Equipment Donation	Local Road and Street	Payroll	Planning and Zoning	User Fee	Wastewater Utility SRF Bond and Interest	Wastewater Utility Operating
Cash and investments - beginning	\$ 100	\$ 6,742	\$ 14,982	\$ (1,384)	\$ 6,859	\$ 45,282	\$ 81,198
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	8,408	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	20	-	-
Utility fees	-	-	-	-	-	-	485,445
Penalties	-	-	-	-	-	-	-
Other receipts	-	152	1,053,760	1,384	-	132,507	272,597
Total receipts	-	8,560	1,053,760	1,384	20	132,507	758,042
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	5,890	-	-	4	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	13,572	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	486,205
Other disbursements	-	-	1,055,342	-	-	115,501	287,485
Total disbursements	-	5,890	1,055,342	-	4	129,073	773,690
Excess (deficiency) of receipts over disbursements	-	2,670	(1,582)	1,384	16	3,434	(15,648)
Cash and investments - ending	\$ 100	\$ 9,412	\$ 13,400	\$ -	\$ 6,875	\$ 48,716	\$ 65,550

CITY OF DUNKIRK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Wastewater Utility Bond and Interest	Wastewater Utility SRF Debt Service Reserve	Wastewater Utility Improvement	Water Utility SRF Debt Service Reserve	Water Utility Retainage - R.E. Crosby	Water Utility Retainage - RCM Excavating	Water Utility OCRA Grant
Cash and investments - beginning	\$ 3,081	\$ 120,087	\$ 636,479	\$ 107,945	\$ 21,638	\$ 17,295	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	43,880	-	442,422
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	<u>32</u>	<u>1</u>	<u>152,466</u>	<u>25,710</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total receipts	<u>32</u>	<u>1</u>	<u>152,466</u>	<u>25,710</u>	<u>43,880</u>	<u>-</u>	<u>442,422</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	442,422
Utility operating expenses	3,113	-	-	-	10	-	-
Other disbursements	<u>-</u>	<u>137</u>	<u>119,184</u>	<u>1,027</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>3,113</u>	<u>137</u>	<u>119,184</u>	<u>1,027</u>	<u>10</u>	<u>-</u>	<u>442,422</u>
Excess (deficiency) of receipts over disbursements	<u>(3,081)</u>	<u>(136)</u>	<u>33,282</u>	<u>24,683</u>	<u>43,870</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 119,951</u>	<u>\$ 669,761</u>	<u>\$ 132,628</u>	<u>\$ 65,508</u>	<u>\$ 17,295</u>	<u>\$ -</u>

CITY OF DUNKIRK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Water Utility Construction	Water Utility Operating	Water Utility Bond and Interest	Water Utility Meter Deposits	Water Utility Depreciation	Totals
Cash and investments - beginning	\$ -	\$ 219,313	\$ 64,565	\$ 46,399	\$ 46,640	\$ 2,499,830
Receipts:						
Taxes	-	-	-	-	-	836,298
Licenses and permits	-	-	-	-	-	1,102
Intergovernmental	-	-	-	-	-	1,044,773
Charges for services	-	-	-	-	-	177,340
Fines and forfeits	-	-	-	-	-	20,387
Utility fees	-	604,145	-	8,600	-	1,098,190
Penalties	-	24,972	-	-	-	24,972
Other receipts	510,001	101,974	162,125	-	255,242	2,699,973
Total receipts	510,001	731,091	162,125	8,600	255,242	5,903,035
Disbursements:						
Personal services	-	-	-	-	-	780,280
Supplies	-	-	-	-	-	93,253
Other services and charges	-	-	-	-	-	366,476
Debt service - principal and interest	-	-	20,766	-	-	34,338
Capital outlay	-	-	-	-	-	554,013
Utility operating expenses	22,987	344,969	-	11,224	-	868,508
Other disbursements	487,014	555,385	135,209	-	78,264	3,012,121
Total disbursements	510,001	900,354	155,975	11,224	78,264	5,708,989
Excess (deficiency) of receipts over disbursements	-	(169,263)	6,150	(2,624)	176,978	194,046
Cash and investments - ending	\$ -	\$ 50,050	\$ 70,715	\$ 43,775	\$ 223,618	\$ 2,693,876

CITY OF DUNKIRK  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2011

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 39,686	\$ 6,391
Wastewater	5,948	53,698
Water	6,423	30,046
Totals	\$ 52,057	\$ 90,135

CITY OF DUNKIRK  
SCHEDULE OF LEASES AND DEBT  
December 31, 2011

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Ford Motor Credit Company	Rescue Vehicle	\$ 17,094	01-31-09	01-31-14
Perry Corporation	Copy Machine	<u>1,962</u>	11-06-08	02-06-14
Total governmental activities		19,056		
Water:				
Trinity Vendor Finance	Backhoe	<u>12,815</u>	05-15-10	04-15-15
Total of annual lease payments		<u><u>\$ 31,871</u></u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater:			
SRF Loan of 1999	Municipal Wastewater Improvements	\$ 844,000	<u>\$ 119,476</u>
Water:			
SRF Loan of 2000	Municipal Water Improvements	825,000	93,925
SRF Loan of 2010	Municipal Water Improvements	<u>1,272,998</u>	<u>*</u>
Total Water		<u>2,097,998</u>	<u>93,925</u>
Totals		<u><u>\$ 2,941,998</u></u>	<u><u>\$ 213,401</u></u>

\*Project not completed, amortization schedule not available.

CITY OF DUNKIRK  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2011

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 39,442
Buildings	668,239
Improvements other than buildings	290,693
Machinery, equipment and vehicles	<u>1,190,532</u>
Total governmental activities	<u>2,188,906</u>
Wastewater:	
Land	27,000
Buildings	4,123,083
Improvements other than buildings	6,367,667
Machinery, equipment and vehicles	<u>427,932</u>
Total Wastewater	<u>10,945,682</u>
Water:	
Land	24,164
Buildings	950,815
Improvements other than buildings	946,240
Machinery, equipment and vehicles	762,605
Construction in progress	<u>1,293,998</u>
Total Water	<u>3,977,822</u>
Total capital assets	<u><u>\$ 17,112,410</u></u>

CITY OF DUNKIRK  
AUDIT RESULTS AND COMMENTS

***CUSTOMER DEPOSIT REGISTER***

The total of the detailed customer deposit register ("Meter Deposit Report") exceeded the Water Meter Deposits Fund cash and investment balance by \$5,605 at December 31, 2011. This variance increased by \$962 from the previous year. The Meter Deposit Report presented for audit only included transactions for deposits which were on hand at December 31, 2011. As a result, we were unable to trace receipt and disbursement transactions to the deposit register or assist in reconciling the ledger to the fund balance. Current officials presented printouts of deposits received and deposits applied or refunded, but not all items received or expended were included. A similar comment appeared in prior Report B39991.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***TRANSACTION RECORDING***

Loan proceeds of \$704,885 and the subsequent payments to contractors in the same amount, from 2010, were erroneously recorded on the City's ledger in 2011. Also in 2011, a state distribution for \$53,285 and its subsequent payment to a contractor were not recorded on the City's ledger. These transactions were adjusted appropriately in the financial information in this report.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***PRESCRIBED FORMS***

The Clerk-Treasurer obtained five cashier's checks totaling \$461,980 to pay contractors. These cashier's checks were recorded as disbursements on the City's ledger.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF DUNKIRK  
AUDIT RESULTS AND COMMENTS  
(Continued)

***BUILDING DEPARTMENT DEPOSITS***

Collections made by the Zoning Administrator were not remitted to the Clerk-Treasurer on a timely basis. Collections totaling \$240 from April 9, 2011 through July 29, 2011 were not remitted to the Clerk-Treasurer's office for deposit until October 24, 2011. A similar comment appeared in prior Report B39991.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories: (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

***APPROPRIATIONS***

Rainy Day Fund expenditures exceeded budgeted appropriations by \$6,917. A similar comment appeared in prior Report B39991.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

***PAYROLL FUND***

The Payroll Fund cash and investment balance at December 31, 2011, was \$3,909 more than actual payroll withholdings on the same date. Errors have occurred in posting receipts and disbursements to the accounts for several years. No corrections have been made for these posting errors. A similar comment appeared in our prior Report B39991.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF DUNKIRK, JAY COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Dunkirk (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2011. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion 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 expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

A deficiency in internal control over compliance 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to 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.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 26, 2012

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the City. The schedule and note are presented as intended by the City.

CITY OF DUNKIRK  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended December 31, 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Office of Community and Rural Affairs CDBG - State-Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	DR2-09-066 038-CDBG-10-SUB	\$ 442,422 <u>19,558</u>
Total for federal grantor agency			<u>461,980</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW 08083802	<u>262,871</u>
Total federal awards expended			<u>\$ 724,851</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF DUNKIRK  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

***Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Dunkirk and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF DUNKIRK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Noncompliance material to the financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Program:

\_\_\_\_\_ Name of Federal Program or Cluster \_\_\_\_\_  
CDBG - State-Administered CDBG Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
--	----

**Section II – Financial Statement Findings**

No matters are reportable.

**Section III – Federal Award Findings and Questioned Costs**

No matters are reportable.

CITY OF DUNKIRK  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF DUNKIRK  
EXIT CONFERENCE

The contents of this report were discussed on July 26, 2012, with Jane A. Kesler, former Clerk-Treasurer; Phonnie Kesler, Clerk-Treasurer; Daniel W. Watson, Mayor; and Judy D. Garr, President of the Common Council. The officials concurred with our audit findings.