

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CITY OF DUNKIRK

JAY COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
10/03/2013

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SCHEDULE OF OFFICIALS

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



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of the City of Dunkirk (City), for the year ended December 31, 2012. The financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination 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. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2012.

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, 2012, on the basis of accounting described in Note 1.

Our examination 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, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT ACCOUNTANT'S REPORT
(Continued)

The City's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the City's response and, accordingly, we express no opinion on it.



Bruce Hartman
State Examiner

September 12, 2013

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, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 593,290	\$ 1,177,773	\$ 1,013,570	\$ 757,493
Motor Vehicle Highway	85,119	216,769	193,451	108,437
Local Road and Street	9,412	8,409	3,725	14,096
1996 Drug Free Allotment	51	-	-	51
Economic Development/EDIT	130,565	6,893	40,046	97,412
Planning and Zoning	-	70	-	70
Trash Collection	1,852	132,833	132,126	2,559
Law Enforcement Continuing Education	12,043	1,235	-	13,278
Clerk's Record Perpetuation	572	102	-	674
User Fee	6,875	-	-	6,875
Rainy Day	80,121	500	30,500	50,121
Police K-9	-	500	-	500
EDIT Fund - Jay/Blackford Counties	48,967	63,183	62,734	49,416
Park Nonreverting Operating	45,722	8,486	15,829	38,379
Fire Equipment Donation	100	-	-	100
Cumulative Capital Improvement Cigarette Tax	43,119	6,265	17,886	31,498
Fire Equipment	6,613	20	5,177	1,456
Police Pension	23,963	21,121	18,076	27,008
Court	9,837	15,344	15,480	9,701
LOIT - Public Safety	46,950	54,468	-	101,418
Capital Improvement	839	-	-	839
Library Grant	-	19,106	19,106	-
Highlands Subdivision	900	-	-	900
Payroll	13,400	819,580	897,971	(64,991)
Library Planning Grant	4,614	-	4,614	-
Police Pension Investment	21,335	93	-	21,428
Cash On Hand	150	-	-	150
Wastewater Operating	65,500	876,882	849,143	93,239
Wastewater Improvement Investment	191,950	877	-	192,827
Wastewater Improvement	477,811	24,869	-	502,680
Wastewater Bond and Interest - BONY	48,716	129,541	119,476	58,781
Wastewater Debt Reserve - BONY	119,951	-	-	119,951
Wastewater - 2012 WWTP Project	-	4,232,692	142,659	4,090,033
Wastewater Bond and Interest - Huntington	-	34,938	-	34,938
Water Utility Operating	50,000	634,381	661,722	22,659
Water Utility Depreciation	223,618	-	-	223,618
Water Meter Deposits	43,775	14,675	22,293	36,157
Water Bond and Interest - BONY	70,715	186,483	155,345	101,853
Water Debt Reserve - BONY	132,628	993	-	133,621
Water Project - R.E. Crosby Retainage	65,508	-	63,319	2,189
Water Project - RCM Excavating Retainage	17,295	-	6	17,289
Totals	<u>\$ 2,693,876</u>	<u>\$ 8,689,081</u>	<u>\$ 4,484,254</u>	<u>\$ 6,898,703</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,

CITY OF DUNKIRK
NOTES TO FINANCIAL STATEMENT
(Continued)

local road and street distribution received from the state, financial institution tax 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.

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.

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.

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.

CITY OF DUNKIRK
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

CITY OF DUNKIRK
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 7. Cash Balance Deficits

The financial statement contains a fund (Payroll) with a deficit in cash. This deficit balance was a result of posting errors and transfers not made to the Payroll Fund.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 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 examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant'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, 2012

	General	Motor Vehicle Highway	Local Road and Street	1996 Drug Free Allotment	Economic Development/ EDIT	Planning and Zoning	Trash Collection
Cash and investments - beginning	\$ 593,290	\$ 85,119	\$ 9,412	\$ 51	\$ 130,565	\$ -	\$ 1,852
Receipts:							
Taxes	640,890	146,900	-	-	-	-	-
Licenses and permits	20,424	-	-	-	-	70	-
Intergovernmental	440,636	64,238	8,409	-	-	-	-
Charges for services	23,736	5,167	-	-	-	-	132,833
Fines and forfeits	1,932	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	50,155	464	-	-	6,893	-	-
Total receipts	<u>1,177,773</u>	<u>216,769</u>	<u>8,409</u>	<u>-</u>	<u>6,893</u>	<u>70</u>	<u>132,833</u>
Disbursements:							
Personal services	550,669	61,634	-	-	-	-	-
Supplies	18,038	1,882	3,725	-	-	-	-
Other services and charges	358,578	25,801	-	-	-	-	132,126
Capital outlay	49,704	104,134	-	-	40,046	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	36,581	-	-	-	-	-	-
Total disbursements	<u>1,013,570</u>	<u>193,451</u>	<u>3,725</u>	<u>-</u>	<u>40,046</u>	<u>-</u>	<u>132,126</u>
Excess (deficiency) of receipts over (under) disbursements	<u>164,203</u>	<u>23,318</u>	<u>4,684</u>	<u>-</u>	<u>(33,153)</u>	<u>70</u>	<u>707</u>
Cash and investments - ending	<u>\$ 757,493</u>	<u>\$ 108,437</u>	<u>\$ 14,096</u>	<u>\$ 51</u>	<u>\$ 97,412</u>	<u>\$ 70</u>	<u>\$ 2,559</u>

CITY OF DUNKIRK
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Law Enforcement Continuing Education	Clerk's Record Perpetuation	User Fee	Rainy Day	Police K-9	EDIT Fund - Jay/Blackford Counties	Park Nonreverting Operating
Cash and investments - beginning	\$ 12,043	\$ 572	\$ 6,875	\$ 80,121	\$ -	\$ 48,967	\$ 45,722
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	795	-	-	-	-	-	-
Intergovernmental	-	-	-	500	-	63,183	-
Charges for services	440	102	-	-	-	-	7,917
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	500	-	569
Total receipts	<u>1,235</u>	<u>102</u>	<u>-</u>	<u>500</u>	<u>500</u>	<u>63,183</u>	<u>8,486</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	5,712
Capital outlay	-	-	-	-	-	62,734	9,321
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	30,500	-	-	796
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,500</u>	<u>-</u>	<u>62,734</u>	<u>15,829</u>
Excess (deficiency) of receipts over (under) disbursements	<u>1,235</u>	<u>102</u>	<u>-</u>	<u>(30,000)</u>	<u>500</u>	<u>449</u>	<u>(7,343)</u>
Cash and investments - ending	<u>\$ 13,278</u>	<u>\$ 674</u>	<u>\$ 6,875</u>	<u>\$ 50,121</u>	<u>\$ 500</u>	<u>\$ 49,416</u>	<u>\$ 38,379</u>

CITY OF DUNKIRK
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Fire Equipment Donation	Cumulative Capital Improvement Cigarette Tax	Fire Equipment	Police Pension	Court	LOIT - Public Safety	Capital Improvement
Cash and investments - beginning	\$ 100	\$ 43,119	\$ 6,613	\$ 23,963	\$ 9,837	\$ 46,950	\$ 839
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	6,265	-	21,121	-	54,468	-
Charges for services	-	-	20	-	172	-	-
Fines and forfeits	-	-	-	-	14,916	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	256	-	-
Total receipts	-	6,265	20	21,121	15,344	54,468	-
Disbursements:							
Personal services	-	-	-	18,076	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	410	-	-
Capital outlay	-	17,886	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	5,177	-	15,070	-	-
Total disbursements	-	17,886	5,177	18,076	15,480	-	-
Excess (deficiency) of receipts over (under) disbursements	-	(11,621)	(5,157)	3,045	(136)	54,468	-
Cash and investments - ending	\$ 100	\$ 31,498	\$ 1,456	\$ 27,008	\$ 9,701	\$ 101,418	\$ 839

CITY OF DUNKIRK
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Library Grant	Highlands Subdivision	Payroll	Library Planning Grant	Police Pension Investment	Cash On Hand	Wastewater Operating
Cash and investments - beginning	\$ -	\$ 900	\$ 13,400	\$ 4,614	\$ 21,335	\$ 150	\$ 65,500
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	737,441
Other receipts	19,106	-	819,580	-	93	-	139,441
Total receipts	<u>19,106</u>	<u>-</u>	<u>819,580</u>	<u>-</u>	<u>93</u>	<u>-</u>	<u>876,882</u>
Disbursements:							
Personal services	19,106	-	-	4,296	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	620,122
Other disbursements	-	-	897,971	318	-	-	229,021
Total disbursements	<u>19,106</u>	<u>-</u>	<u>897,971</u>	<u>4,614</u>	<u>-</u>	<u>-</u>	<u>849,143</u>
Excess (deficiency) of receipts over (under) disbursements	<u>-</u>	<u>-</u>	<u>(78,391)</u>	<u>(4,614)</u>	<u>93</u>	<u>-</u>	<u>27,739</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 900</u>	<u>\$ (64,991)</u>	<u>\$ -</u>	<u>\$ 21,428</u>	<u>\$ 150</u>	<u>\$ 93,239</u>

CITY OF DUNKIRK
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Wastewater Improvement Investment	Wastewater Improvement	Wastewater Bond and Interest - BONY	Wastewater Debt Reserve - BONY	Wastewater - 2012 WWTP Project	Wastewater Bond and Interest - Huntington	Water Utility Operating
Cash and investments - beginning	\$ 191,950	\$ 477,811	\$ 48,716	\$ 119,951	\$ -	\$ -	\$ 50,000
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	607,419
Other receipts	877	24,869	129,541	-	4,232,692	34,938	26,962
Total receipts	<u>877</u>	<u>24,869</u>	<u>129,541</u>	<u>-</u>	<u>4,232,692</u>	<u>34,938</u>	<u>634,381</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	112,441	-	314,999
Other disbursements	-	-	119,476	-	30,218	-	346,723
Total disbursements	<u>-</u>	<u>-</u>	<u>119,476</u>	<u>-</u>	<u>142,659</u>	<u>-</u>	<u>661,722</u>
Excess (deficiency) of receipts over (under) disbursements	<u>877</u>	<u>24,869</u>	<u>10,065</u>	<u>-</u>	<u>4,090,033</u>	<u>34,938</u>	<u>(27,341)</u>
Cash and investments - ending	<u>\$ 192,827</u>	<u>\$ 502,680</u>	<u>\$ 58,781</u>	<u>\$ 119,951</u>	<u>\$ 4,090,033</u>	<u>\$ 34,938</u>	<u>\$ 22,659</u>

CITY OF DUNKIRK
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Water Utility Depreciation	Water Meter Deposits	Water Bond and Interest - BONY	Water Debt Reserve - BONY	Water Project - R.E. Crosby Retainage	Water Project - RCM Excavating Retainage	Totals
Cash and investments - beginning	\$ 223,618	\$ 43,775	\$ 70,715	\$ 132,628	\$ 65,508	\$ 17,295	\$ 2,693,876
Receipts:							
Taxes	-	-	-	-	-	-	787,790
Licenses and permits	-	-	-	-	-	-	21,289
Intergovernmental	-	-	-	-	-	-	658,820
Charges for services	-	-	-	-	-	-	170,387
Fines and forfeits	-	-	-	-	-	-	16,848
Utility fees	-	14,675	-	-	-	-	1,359,535
Other receipts	-	-	186,483	993	-	-	5,674,412
Total receipts	-	14,675	186,483	993	-	-	8,689,081
Disbursements:							
Personal services	-	-	-	-	-	-	653,781
Supplies	-	-	-	-	-	-	23,645
Other services and charges	-	-	-	-	-	-	522,627
Capital outlay	-	-	-	-	-	-	283,825
Utility operating expenses	-	-	-	-	-	-	1,047,562
Other disbursements	-	22,293	155,345	-	63,319	6	1,952,814
Total disbursements	-	22,293	155,345	-	63,319	6	4,484,254
Excess (deficiency) of receipts over (under) disbursements	-	(7,618)	31,138	993	(63,319)	(6)	4,204,827
Cash and investments - ending	\$ 223,618	\$ 36,157	\$ 101,853	\$ 133,621	\$ 2,189	\$ 17,289	\$ 6,898,703

CITY OF DUNKIRK
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 82,737	\$ 2,848
Wastewater	26,829	45,522
Water	9,470	21,041
Totals	\$ 119,036	\$ 69,411

CITY OF DUNKIRK
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Perry Corporation	Copy Machine	\$ 2,085	11-06-08	02-06-14
Perry Corporation	Police Copy Machine	<u>1,882</u>	07-01-12	07-01-17
Total governmental activities		<u>3,967</u>		
Water:				
Bank of the West Equipment	Backhoe	<u>12,815</u>	05-15-10	04-15-15
Total of annual lease payments		<u>\$ 16,782</u>		
Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year	
Type	Purpose			
Wastewater:				
General obligation bonds	Municipal Sewage Works	\$ 749,000	\$ 119,721	
General obligation bonds	2012 Municipal Sewage Works	<u>4,275,000</u>	<u>184,810</u>	
Total Wastewater		<u>5,024,000</u>	<u>304,531</u>	
Water:				
General obligation bonds	2000 Municipal Water Utility	755,000	96,895	
General obligation bonds	2010 Municipal Water Utility	<u>1,328,351</u>	<u>***</u>	
Total Water		<u>2,083,351</u>	<u>96,895</u>	
Totals		<u>\$ 7,107,351</u>	<u>\$ 401,426</u>	

*** Project not completed; amortization schedule not available.

CITY OF DUNKIRK
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2012

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.

	Ending Balance
Governmental activities:	
Land	\$ 39,443
Buildings	660,488
Improvements other than buildings	276,720
Machinery, equipment, and vehicles	1,053,978
Total governmental activities	2,030,629
Wastewater:	
Land	27,000
Buildings	4,120,946
Improvements other than buildings	6,362,609
Machinery, equipment, and vehicles	371,229
Total Wastewater	10,881,784
Water:	
Land	24,164
Buildings	950,816
Improvements other than buildings	1,755,169
Machinery, equipment, and vehicles	229,125
Total Water	2,959,274
Total capital assets	\$ 15,871,687

CITY OF DUNKIRK
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were prepared; however, the reconciliations contained unidentified variances and numerous errors that have not yet been corrected.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CONDITION OF RECORDS

Financial records presented contained numerous errors. Some of the deficiencies include:

1. Posting errors which include transactions posted twice.
2. Checks and receipts not recorded in the proper amounts or to the proper funds.
3. Interest not posted.
4. Nonsufficient funds checks incorrectly posted.
5. Transactions recorded as "negative" receipts and disbursements.
6. Error correction entries without reference to the original entries being corrected.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

The financial statement presented in this report includes the Payroll Fund with an overdrawn cash balance at December 31, 2012, of \$64,991. This deficit balance was a result of posting errors and transfers not made to the Payroll Fund.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF DUNKIRK
EXIT CONFERENCE

The contents of this report were discussed on September 12, 2013, with Phonnie M. Kesler, Clerk-Treasurer. The Official Response has been made a part of this report and may be found on page 25.

The contents of this report were discussed on September 12, 2013, with Daniel W. Watson, Mayor, and Judy D. Garr, President of the Common Council. The officials concurred with our findings.

CITY OF DUNKIRK

Glass Capital of Indiana
131 South Main Street
Dunkirk, Indiana 47336

Daniel W. Watson
Mayor
Phone: 765-768-6858

Phonnie M. Kesler
Clerk-Treasurer
Phone: 765-768-6565 – Fax: 765-768-7836

September 12, 2013

State Board of Accounts

RE: Exit Conference 9/12/2013

To Whom It May Concern,

During our Exit Conference today, I was given the opportunity to write a response to some examination results.

Therefore, I offer the following:

BANK ACCOUNT RECONCILIATION-The variances and errors indicated were the result of entries made by the Clerk at the direction of an accounting firm that was hired. The Council hired this firm to assist the Clerk's office in reconciling the accounts after some errors had been made during the first few months of the new Clerk's term in January, 2012. Some of these items have been corrected but there are still some that need further research and the Clerk's Office has initiated this research.

CONDITION OF RECORDS-The Clerk's Office will agree that there have been some deficiencies regarding the posting of checks and receipts not being posted to the correct funds and monthly interest not getting posted. There were also some entries made at the direction of the accounting firm regarding things such as negative posting of receipts & disbursements and error corrections being made without reference to the original entries. Regarding, the NSF checks, we have now been instructed on the appropriate way to post and receipt these items but during this audit period they were being posted incorrectly.

OVERDRAWN CASH BALANCES-The Clerk's Office does acknowledge that the Payroll Fund is overdrawn. It appears that some things had been paid from that fund in error when they in fact should have come from other funds such as insurance and PERF. Therefore, this left the Payroll Fund with a negative balance. The Clerk's Office is in the process of researching this also to make the necessary corrections.

The purpose of this letter is for it to accompany the audit report to show that although there were instances where the Clerk's Office may not have been doing things correctly, she and her staff have had more training in reconciling and the correct posting and receipting procedures since taking office. We feel that we have a much better handle on things than we did during this audit period.

Sincerely,



Phonnie M. Kesler
Dunkirk Clerk-Treasurer