

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, 2013 to December 31, 2013



FILED
12/19/2014

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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 Pro Tempore of the Common Council	Judy D. Garr	01-01-13 to 12-31-14
Superintendent of Water Utility	Dace A. Mumbower	01-01-13 to 12-31-14
Superintendent of Wastewater Utility	Timothy L. Kesler Larry Wright	01-01-13 to 06-03-14 06-04-14 to 12-31-14



STATE OF INDIANA
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302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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, 2013. 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 Indiana 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, 2013.

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, 2013, 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

November 25, 2014

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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, 2013

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
General Fund	\$ 757,493	\$ 1,154,340	\$ 1,058,418	\$ 853,415
Motor Vehicle Highway	108,436	265,405	201,772	172,069
Local Road And Street	14,096	8,232	9,941	12,387
1996 Drug Free Allotment	51	-	-	51
Dtr Economic Development	97,412	30,217	6,850	120,779
Planning And Zoning	70	-	-	70
Trash Collection	2,559	133,767	136,885	(559)
Police Cont. Education	13,278	1,226	3,000	11,504
Clerks Record Perpetuat	674	214	-	888
User Fee Fund	6,875	-	-	6,875
Rainy Day Fund	50,121	-	-	50,121
Police-K-9	500	-	-	500
Edit Fund-Jay/Blkford Co	49,416	63,992	59,673	53,735
Park Nonreverting Oper.	38,379	6,836	7,660	37,555
Fire Equipment (Not Debt Serv)	100	-	-	100
Cum. Capital Improvement Cigarette Tax	31,498	6,341	9,936	27,903
Capital Improvement	839	-	-	839
Fire Equipment	1,456	-	-	1,456
Sewage Improv Investment	192,827	-	-	192,827
Police Pension	27,008	22,238	22,092	27,154
Court	9,701	19,110	24,322	4,489
LOIT- Public Safety	101,418	53,114	48,095	106,437
Non- Reverting Repair/ Main	-	2,855	-	2,855
Highlands Subdivision	900	-	-	900
Water Utility Depr.	223,618	104,497	68,767	259,348
Water Meter Deposits	36,157	13,026	11,603	37,580
Sewage Improvement	502,680	100,869	152,229	451,320
Water Bond & Interest- Bony	101,853	168,187	158,830	111,210
Water Debt Reserve- Bony	133,621	5,135	-	138,756
Water Project- R.E. Crosby	2,189	-	-	2,189
Water Project- Rcm Exc.	17,289	-	2	17,287
Sewage Bond & Interest- Bony	58,781	108,304	119,721	47,364
Sewage Debt Reserve- Bony	119,951	69,235	-	189,186
Payroll	(64,991)	855,548	847,113	(56,556)
Police Pension Investment	21,428	38	-	21,466
Lien Payments	-	6,350	6,350	-
Credit Card Clearing Acct	-	527	527	-
Cash On Hand	150	-	-	150
Sewage Operating	93,239	1,022,843	1,046,492	69,590
Sewage 2012 Wwtp Project	4,090,033	703	2,703,557	1,387,179
Sewage Bond & Interest- Huntington	34,938	220,350	184,807	70,481
Sewage Operating Invest	-	266	-	266
Water Utility Operating	22,659	644,224	615,683	51,200
Water Project	-	144,649	144,649	-
Totals	<u>\$ 6,898,702</u>	<u>\$ 5,232,638</u>	<u>\$ 7,648,974</u>	<u>\$ 4,482,366</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, electric, gas, storm water, trash, aviation, 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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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, 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.

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.

CITY OF DUNKIRK
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

CITY OF DUNKIRK
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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 a cost-sharing 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
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF DUNKIRK
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. 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
One North Capitol, 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.

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of posting errors and postings not made to the funds in a timely manner.

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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, 2013

	General Fund	Motor Vehicle Highway	Local Road And Street	1996 Drug Free Allotment	Dtr Economic Development	Planning And Zoning	Trash Collection
Cash and investments - beginning	\$ 757,493	\$ 108,436	\$ 14,096	\$ 51	\$ 97,412	\$ 70	\$ 2,559
Receipts:							
Taxes	643,193	14,155	-	-	-	-	-
Licenses and permits	20,598	-	-	-	-	-	-
Intergovernmental	435,210	244,314	8,232	-	-	-	-
Charges for services	24,390	-	-	-	-	-	133,767
Fines and forfeits	3,012	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	27,937	6,936	-	-	30,217	-	-
Total receipts	1,154,340	265,405	8,232	-	30,217	-	133,767
Disbursements:							
Personal services	544,923	55,226	-	-	-	-	-
Supplies	24,341	5,935	9,941	-	-	-	-
Other services and charges	382,008	104,708	-	-	-	-	136,885
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	38,307	31,259	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	68,839	4,644	-	-	6,850	-	-
Total disbursements	1,058,418	201,772	9,941	-	6,850	-	136,885
Excess (deficiency) of receipts over disbursements	95,922	63,633	(1,709)	-	23,367	-	(3,118)
Cash and investments - ending	\$ 853,415	\$ 172,069	\$ 12,387	\$ 51	\$ 120,779	\$ 70	\$ (559)

CITY OF DUNKIRK
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	Police Cont. Education	Clerks Record Perpetuat	User Fee Fund	Rainy Day Fund	Police-K-9	Edit Fund-Jay/Blkford Co	Park Nonreverting Oper.
Cash and investments - beginning	\$ 13,278	\$ 674	\$ 6,875	\$ 50,121	\$ 500	\$ 49,416	\$ 38,379
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	960	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	63,992	-
Charges for services	266	214	-	-	-	-	6,836
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	1,226	214	-	-	-	63,992	6,836
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	6,360
Other services and charges	-	-	-	-	-	-	657
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	3,000	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	59,673	643
Total disbursements	3,000	-	-	-	-	59,673	7,660
Excess (deficiency) of receipts over disbursements	(1,774)	214	-	-	-	4,319	(824)
Cash and investments - ending	\$ 11,504	\$ 888	\$ 6,875	\$ 50,121	\$ 500	\$ 53,735	\$ 37,555

CITY OF DUNKIRK
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	Fire Equipment (Not Debt Serv)	Cum. Capital Improvement Cigarette Tax	Capital Improvement	Fire Equipment	Sewage Improv Investment	Police Pension	Court
Cash and investments - beginning	\$ 100	\$ 31,498	\$ 839	\$ 1,456	\$ 192,827	\$ 27,008	\$ 9,701
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	6,341	-	-	-	22,238	-
Charges for services	-	-	-	-	-	-	1,224
Fines and forfeits	-	-	-	-	-	-	17,881
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	5
Total receipts	-	6,341	-	-	-	22,238	19,110
Disbursements:							
Personal services	-	-	-	-	-	200	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	24,266
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	9,936	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	21,892	56
Total disbursements	-	9,936	-	-	-	22,092	24,322
Excess (deficiency) of receipts over disbursements	-	(3,595)	-	-	-	146	(5,212)
Cash and investments - ending	\$ 100	\$ 27,903	\$ 839	\$ 1,456	\$ 192,827	\$ 27,154	\$ 4,489

CITY OF DUNKIRK
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	LOIT- Public Safety	Non- Reverting Repair/ Main	Highlands Subdivision	Water Utility Depr.	Water Meter Deposits	Sewage Improvement
Cash and investments - beginning	\$ 101,418	\$ -	\$ 900	\$ 223,618	\$ 36,157	\$ 502,680
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	53,114	-	-	-	-	-
Charges for services	-	2,855	-	-	13,026	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	104,497	-	100,869
Total receipts	53,114	2,855	-	104,497	13,026	100,869
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	24,095	-	-	-	11,603	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	24,000	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	68,767	-	152,229
Total disbursements	48,095	-	-	68,767	11,603	152,229
Excess (deficiency) of receipts over disbursements	5,019	2,855	-	35,730	1,423	(51,360)
Cash and investments - ending	\$ 106,437	\$ 2,855	\$ 900	\$ 259,348	\$ 37,580	\$ 451,320

CITY OF DUNKIRK
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	Water Bond & Interest- Bony	Water Debt Reserve- Bony	Water Project- R.E. Crosby	Water Project- Rcm Exc.	Sewage Bond & Interest- Bony	Sewage Debt Reserve- Bony
Cash and investments - beginning	\$ 101,853	\$ 133,621	\$ 2,189	\$ 17,289	\$ 58,781	\$ 119,951
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	168,187	5,135	-	-	108,304	69,235
Total receipts	168,187	5,135	-	-	108,304	69,235
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	158,830	-	-	-	119,721	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	2	-	-
Total disbursements	158,830	-	-	2	119,721	-
Excess (deficiency) of receipts over disbursements	9,357	5,135	-	(2)	(11,417)	69,235
Cash and investments - ending	\$ 111,210	\$ 138,756	\$ 2,189	\$ 17,287	\$ 47,364	\$ 189,186

CITY OF DUNKIRK
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	Payroll	Police Pension Investment	Lien Payments	Credit Card Clearing Acct	Cash On Hand	Sewage Operating
Cash and investments - beginning	\$ (64,991)	\$ 21,428	\$ -	\$ -	\$ 150	\$ 93,239
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	6,350	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	870,131
Other receipts	855,548	38	-	527	-	152,712
Total receipts	855,548	38	6,350	527	-	1,022,843
Disbursements:						
Personal services	846,863	-	-	-	-	185,911
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	54,468
Debt service - principal and interest	-	-	-	-	-	498,974
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	272,652
Other disbursements	250	-	6,350	527	-	34,487
Total disbursements	847,113	-	6,350	527	-	1,046,492
Excess (deficiency) of receipts over disbursements	8,435	38	-	-	-	(23,649)
Cash and investments - ending	\$ (56,556)	\$ 21,466	\$ -	\$ -	\$ 150	\$ 69,590

CITY OF DUNKIRK
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

	Sewage 2012 Wwtp Project	Sewage Bond & Interest- Huntington	Sewage Operating Invest	Water Utility Operating	Water Project	Totals
Cash and investments - beginning	\$ 4,090,033	\$ 34,938	\$ -	\$ 22,659	\$ -	\$ 6,898,702
Receipts:						
Taxes	-	-	-	-	-	657,348
Licenses and permits	-	-	-	-	-	21,558
Intergovernmental	-	-	-	-	144,649	978,090
Charges for services	-	-	-	-	-	188,928
Fines and forfeits	-	-	-	-	-	20,893
Utility fees	-	-	-	556,324	-	1,426,455
Other receipts	703	220,350	266	87,900	-	1,939,366
Total receipts	703	220,350	266	644,224	144,649	5,232,638
Disbursements:						
Personal services	-	-	-	104,435	-	1,737,558
Supplies	-	-	-	-	-	46,577
Other services and charges	-	-	-	29,432	-	768,122
Debt service - principal and interest	-	184,807	-	-	-	962,332
Capital outlay	-	-	-	-	144,649	251,151
Utility operating expenses	2,703,552	-	-	146,577	-	3,122,781
Other disbursements	5	-	-	335,239	-	760,453
Total disbursements	2,703,557	184,807	-	615,683	144,649	7,648,974
Excess (deficiency) of receipts over disbursements	(2,702,854)	35,543	266	28,541	-	(2,416,336)
Cash and investments - ending	\$ 1,387,179	\$ 70,481	\$ 266	\$ 51,200	\$ -	\$ 4,482,366

CITY OF DUNKIRK
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2013

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 1,613	\$ 22,486
Water	4,666	4,596
Governmental activities	<u>18,595</u>	<u>-</u>
Totals	<u><u>\$ 24,874</u></u>	<u><u>\$ 27,082</u></u>

CITY OF DUNKIRK
SCHEDULE OF LEASES AND DEBT
December 31, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Navitas	Copy Machine	\$ 1,513	6/1/2013	7/1/2018
Perry Corporation	Police Copy Machine	<u>1,608</u>	7/1/2012	7/1/2017
Total governmental activities		<u>3,121</u>		
Water:				
Bank of the West Equipment	Backhoe	<u>12,815</u>	5/15/2010	4/15/2015
Total of annual lease payments		<u><u>\$ 15,936</u></u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater:			
General obligation bonds	2012 Municipal Sewage Works	\$ 4,190,000	\$ 211,170
General obligation bonds	Municipal Sewage Works	<u>651,000</u>	<u>119,879</u>
Total Wastewater		<u>4,841,000</u>	<u>331,049</u>
Water:			
General obligation bonds	2000 Municipal Water Utility	680,000	94,720
General obligation bonds	2010 Municipal Water Utility	<u>1,452,000</u>	<u>66,398</u>
Total Water		<u>2,132,000</u>	<u>161,118</u>
Totals		<u><u>\$ 6,973,000</u></u>	<u><u>\$ 492,167</u></u>

CITY OF DUNKIRK
SCHEDULE OF CAPITAL ASSETS
December 31, 2013

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	\$ 32,643
Buildings	649,288
Improvements other than buildings	276,720
Machinery, equipment, and vehicles	1,061,424
Construction in progress	<u>3,800</u>
Total governmental activities	<u>2,023,875</u>
Wastewater:	
Land	27,000
Buildings	4,120,946
Improvements other than buildings	6,362,609
Machinery, equipment, and vehicles	400,364
Construction in progress	<u>3,030,039</u>
Total Wastewater	<u>13,940,958</u>
Water:	
Land	24,164
Buildings	950,816
Improvements other than buildings	1,755,169
Machinery, equipment, and vehicles	<u>228,431</u>
Total Water	<u>2,958,580</u>
Total capital assets	<u><u>\$ 18,923,413</u></u>

CITY OF DUNKIRK
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS

Internal controls over the receipting and remitting monies received were insufficient.

A review of the duplicate copies of Police Department receipts, during our examination period, revealed that no money was remitted to the Clerk-Treasurer from March 26, 2013 to December 31, 2013. In addition, there were 3 receipts that appear to have been issued in May 2013. Receipts from March 2014 appear to have been written over the top of the receipts written in May 2013. Three additional receipts had both copies of the receipts removed from the receipt book, making it impossible to know the validity of the receipts or the amounts. The average number of receipts written during the year was six per month. For the time periods May 23rd to July 8th; August 23rd to November 26th; and November 26th to February 5th 2014, no receipts were issued by the Police Department.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONTRACTS

Payments totaling \$2,190 were made to a contractor for mowing services in 2013. Payments totaling \$805 were also made to another contractor for cleaning services in 2013. Contracts for these services were not provided for examination.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPORTING DOCUMENTATION

A review of eleven credit card purchases revealed that ten of the eleven did not have adequate supporting documentation. Nine of the ten contained only the credit card statement, while the tenth did not have any supporting documentation. Some documentation was subsequently presented, but in several instances, we could not verify the purpose of the disbursement.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

The financial statement presented for examination included the following funds with overdrawn cash balances at December 31, 2013:

CITY OF DUNKIRK
EXAMINATION RESULTS AND COMMENTS
(Continued)

<u>Fund</u>	<u>Amount Overdrawn</u>
Payroll	\$ 56,556
Trash Collection	559

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)

CONDITION OF RECORDS

Financial records presented for examination contained numerous errors.

Some of the deficiencies included:

1. Posting errors which included 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 entry being corrected.
7. Beginning balances for some months on the Statement of Cash Position did not agree to the ending balance of the preceding month.

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)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliation contained unidentified variances. When reviewing the December Statement of Cash Position, the beginning balance did not agree to the prior month ending balance, resulting in differences of \$14,384. No record of this transaction was found. Net errors on the December 31, 2013 reconciliation were \$178.

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."

CITY OF DUNKIRK
EXIT CONFERENCE

The contents of this report were discussed on November 25, 2014, with Phonnie M. Kesler, Clerk-Treasurer, and Daniel W. Watson, Mayor.