

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

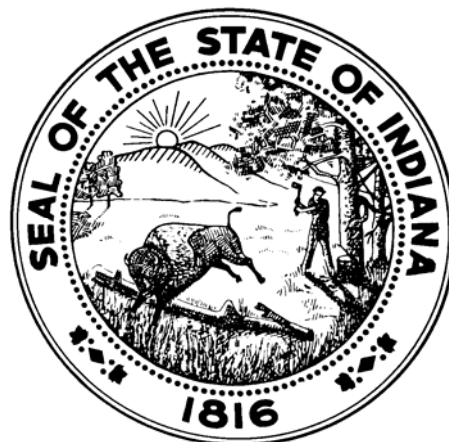
EXAMINATION REPORT

OF

CITY OF DUNKIRK

JAY COUNTY, INDIANA

January 1, 2005 to December 31, 2005



**FILED**  
08/29/2006



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jane Ann Kesler	01-01-04 to 12-31-07
Mayor	Sam Hubbard	01-01-04 to 12-31-07
President of the City Council	Craig Faulkner	01-01-05 to 12-31-06
Superintendent of Water Utility	Dace Mumbower	01-01-05 to 12-31-06
Superintendent of Wastewater Utility	Greg Buckner	01-01-05 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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STATE BOARD OF ACCOUNTS  
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the schedule of receipts, disbursements, and cash and investment balances of the City of Dunkirk (City), for the period of January 1 2005, to December 31, 2005. The City's management is responsible for the schedule. Our responsibility is to express an opinion 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 schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents fairly, in all material respects, the cash transactions of the City for the year ended December 31, 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

August 10, 2006

CITY OF DUNKIRK  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2005

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
<b>Governmental Funds:</b>				
General	\$ 630,642	\$ 881,952	\$ 1,130,474	\$ 382,120
Motor Vehicle Highway	101,709	206,073	304,875	2,907
Local Road and Street	13,270	10,189	17,786	5,673
Non-reverting Repair and Maintenance	125	-	21	104
DTR Economic Development	218,990	-	2,600	216,390
Local Law Enforcement Continuing Education	3,596	337	-	3,933
Park Nonreverting Operating	43,990	21,161	10,661	54,490
Planning and Zoning	(469)	1,744	2,500	(1,225)
Firefighting Equipment	7,334	2,856	2,500	7,690
Drug Free Allotment	658	686	517	827
Highlands Subdivision	900	-	-	900
COPS Grant	17,870	-	776	17,094
Fire Equipment Donation	50	-	-	50
Rainy Day	17,634	-	-	17,634
Cumulative Capital Improvement	65,726	8,180	33,176	40,730
Cumulative Improvement	839	-	-	839
Economic Development Income Tax	16,084	1,796	1,322	16,558
<b>Proprietary Funds:</b>				
Water Utility - Operating	88,203	482,460	453,487	117,176
Water Utility - Depreciation	102,919	15,353	-	118,272
Water Utility - Customer Deposit	25,477	8,925	5,214	29,188
Wastewater Utility - Operating	810,791	894,481	734,417	970,855
Wastewater Utility - Bond and Interest	180,201	113,995	130,058	164,138
Wastewater Utility - Reserve	116,600	-	-	116,600
Wastewater Utility - Improvement	161,866	733	-	162,599
<b>Fiduciary Funds:</b>				
Police Officers' Pension	22,235	17,984	21,671	18,548
City Court	11,740	83,362	93,100	2,002
User Fees	3,458	1,872	183	5,147
Payroll	3,816	1,135,302	1,124,438	14,680
<b>Totals</b>	<u>\$ 2,666,254</u>	<u>\$ 3,889,441</u>	<u>\$ 4,069,776</u>	<u>\$ 2,485,919</u>

The accompanying notes are an integral part of the schedules.

CITY OF DUNKIRK  
NOTES TO SCHEDULE

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, health and social services, culture and recreation, planning and zoning, water, wastewater, economic development, and general administrative services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes 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.

CITY OF DUNKIRK  
NOTES TO SCHEDULE

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), 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 PERF 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% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF 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:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

Note 7. Long-Term Debt

The City has entered into various debts such as revenue bonds for wastewater plant improvements, State Revolving Fund loans for water and wastewater plant improvements, and a capital lease for fire station expansion. The outstanding principal at December 31, 2005, was \$660,000, \$2,432,013 and \$15,000, respectively.

CITY OF DUNKIRK  
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Excess Amount Expended</u>
Police Pension	\$ 1,571
Motor Vehicle Highway	4,778
Cumulative Capital Improvement	5,520

The records also indicated that expenditures from the following funds had not been appropriated by the City Council:

<u>Fund</u>	<u>Amount Expended</u>
Economic Development Income Tax	\$ 1,322
DTR Economic Development	2,600
Firefighting Equipment	2,500
Planning and Zoning	2,500

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."

CITY COURT - DISTRIBUTION OF COLLECTIONS

A review of the distribution of Dunkirk City Court collections disclosed the following:

1. Automated Record Keeping Fees were being remitted to the City Clerk-Treasurer monthly instead of being remitted to the Auditor of State semiannually.
2. Document Storage Fees were being remitted to the Auditor of State semiannually instead of being remitted to the City of Dunkirk Clerk-Treasurer monthly.
3. Court costs collected with Deferral Program Fees were being remitted 100% to the City of Dunkirk Clerk-Treasurer instead of 55% being remitted to the State semiannually and 20% remitted to the Jay County Auditor monthly, with only 25% going to the City.

On all actions except seatbelt violations, the clerk shall collect an automated record keeping fee of seven dollars (\$7) which shall be remitted to the Auditor of State semiannually. [IC 33-37-5-21] (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 3)

CITY OF DUNKIRK  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

On all actions except seatbelt violations, the clerk shall collect a document storage fee of two dollars (\$2) which shall be remitted to the city or town fiscal officer on a monthly basis for deposit in the clerk's record perpetuation fund. [IC 33-37-5-20] (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 3)

Court costs received by the Clerk of the Court in a deferral program agreement would be distributed as follows: State semiannually 55%; County monthly 20%; and City monthly 25%. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 2)

CLERK'S RECORD PERPETUATION FUND

The City receives remittances of document storage fees from the Dunkirk City Court. The fees have been receipted to the City General Fund instead of a Clerk's Record Perpetuation Fund.

Indiana Code 33-37-5-2 requires each city or town operating a city or town court to establish a clerk's record perpetuation fund. The following shall be deposited in the fund:

1. revenue received by the court clerk for the transmitting of documents by facsimile machine to a person under Indiana Code 5-14-3; and
2. document storage fees required under Indiana Code 33-37-5-20.

Such fees are to be remitted by the court to the city or town fiscal officer at the end of each month. The clerk of a city or town court may use the money in the fund for the preservation of records and improvement of record keeping systems and equipment. The fund would require appropriation. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2004)

PRESCRIBED FORMS - CITY COURT

The following prescribed form was not in use: Register of Trust Funds General Form 102.

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 City and Town Courts, Chapter 1)

CONDITION OF RECORDS - PAYROLL FUND SUBACCOUNTS

The balances in payroll subaccounts did not accurately reflect net pay and payroll withholdings balances at December 31, 2005. The same condition was reported for the balances at December 31, 2004, in Audit Report B26084 and no corrections were made in 2005 for the errors in 2004. The errors have occurred in posting both receipts and disbursements to the accounts.

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)

CITY OF DUNKIRK  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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)

OVERDRAWN CASH BALANCES

The cash balance of the Planning and Zoning Fund was overdrawn in 2005.

The cash balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COLLECTION OF AMOUNTS DUE - PENSION OVERPAYMENT

Due to errors in the method of calculating pension payments made to the pensioner paid from the Police Pension Fund, the pensioner had been overpaid as of December 31, 2005, a total amount of \$8,222.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER

The customer deposit register is maintained on the City's computer system. A printout of the detail at December 31, 2005, was not found in the printouts made available for examination review and a printout as of that date could not be generated from the computer system because all records prior to January 1, 2006, had been removed from the computer.

Testing was performed on a printout dated November 22, 2005, and a current printout dated July 31, 2006. The detailed customer deposit register did not reconcile with the cash balance in the Customer Deposit Fund at either date.

At all times, the manual and 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)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, 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)

CITY OF DUNKIRK  
EXIT CONFERENCE

The contents of this report were discussed on August 10, 2006, with Jane Ann Kesler, Clerk-Treasurer; Sam Hubbard, Mayor; and Craig Faulkner, President of the City Council.