

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

AUDIT REPORT

OF

TOWN OF DUGGER

SULLIVAN COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
05/14/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Lana Lynn	01-01-04 to 06-29-07
	Vacant	06-30-07 to 07-15-07
	Terri N. McCoy	07-16-07 to 12-31-11
President of the Town Council	Bill Pirtle	01-01-06 to 12-31-08
Superintendent of Utilities	John Cliver	01-01-06 to 12-31-08



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE TOWN OF DUGGER, SULLIVAN COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dugger (Town), as of and for the years ended December 31, 2006 and 2007, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2006 and 2007, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated March 22, 2008, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Town taken as a whole. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the Table of Contents, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

March 22, 2008



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF DUGGER, SULLIVAN COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dugger (Town), as of and for the years ended December 31, 2006 and 2007, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 22, 2008. 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 Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are 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 Town's management, The Town Council, and 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

March 22, 2008

TOWN OF DUGGER
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipt and Changes in Net Assets		
		Charges for Services	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Totals
Primary government:						
Governmental activities:						
General government	\$ 132,070	\$ 23,977	\$ -	\$ (108,093)	\$ -	\$ (108,093)
Public safety	9,700	958	-	(8,742)	-	(8,742)
Highways and streets	32,857	73,015	-	40,158	-	40,158
Economic development	189,082	-	206,880	17,798	-	17,798
Culture and recreation	2,505	-	-	(2,505)	-	(2,505)
Total governmental activities	366,214	97,950	206,880	(61,384)	-	(61,384)
Business-type activities:						
Water	874,095	342,449	480,000	-	(51,646)	(51,646)
Wastewater	148,609	130,686	-	-	(17,923)	(17,923)
Total business-type activities	1,022,704	473,135	480,000	-	(69,569)	(69,569)
Total primary government	\$ 1,388,918	\$ 571,085	\$ 686,880	(61,384)	(69,569)	(130,953)
General receipts:						
Property taxes				92,883	-	92,883
Other local sources				18,863	-	18,863
Unrestricted investment earnings				387	758	1,145
Total general receipts				112,133	758	112,891
Change in net assets				50,749	(68,811)	(18,062)
Net assets - beginning				407,160	299,736	706,896
Net assets - ending				\$ 457,909	\$ 230,925	\$ 688,834
<u>Assets</u>						
Cash and investments				\$ 55,462	\$ 56,552	\$ 112,014
Restricted assets:						
Cash and investments				402,447	174,373	576,820
Total assets				\$ 457,909	\$ 230,925	\$ 688,834
<u>Net Assets</u>						
Restricted for:						
Culture and recreation				\$ 3,586	\$ -	\$ 3,586
Debt service				-	16,802	16,802
Other purposes				392,770	157,571	550,341
Unrestricted				61,553	56,552	118,105
Total net assets				\$ 457,909	\$ 230,925	\$ 688,834

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

TOWN OF DUGGER
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2006

	General	Motor Vehicle Highway	Community Development Block Grant	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 86,873	\$ -	\$ -	\$ 6,010	\$ 92,883
Intergovernmental	25,400	40,483	-	7,132	73,015
Charges for services	8,402	-	-	158	8,560
Fines and forfeits	958	-	-	-	958
Other	7,711	-	206,880	26,956	241,547
Total receipts	<u>129,344</u>	<u>40,483</u>	<u>206,880</u>	<u>40,256</u>	<u>416,963</u>
Disbursements:					
General government	116,033	-	-	16,037	132,070
Public safety	-	-	-	9,700	9,700
Highways and streets	-	29,052	-	3,500	32,552
Culture and recreation	2,312	-	-	193	2,505
Urban redevelopment and housing	-	-	189,082	-	189,082
Capital outlay:					
Highways and streets	-	-	-	305	305
Total disbursements	<u>118,345</u>	<u>29,052</u>	<u>189,082</u>	<u>29,735</u>	<u>366,214</u>
Excess of receipts over disbursements	<u>10,999</u>	<u>11,431</u>	<u>17,798</u>	<u>10,521</u>	<u>50,749</u>
Other financing sources (uses):					
Transfers in	-	-	-	378	378
Transfers out	(378)	-	-	-	(378)
Total other financing sources (uses)	<u>(378)</u>	<u>-</u>	<u>-</u>	<u>378</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	10,621	11,431	17,798	10,899	50,749
Cash and investment fund balance - beginning	<u>44,841</u>	<u>10,672</u>	<u>1,375</u>	<u>350,272</u>	<u>407,160</u>
Cash and investment fund balance - ending	<u>\$ 55,462</u>	<u>\$ 22,103</u>	<u>\$ 19,173</u>	<u>\$ 361,171</u>	<u>\$ 457,909</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 55,462	\$ -	\$ -	\$ 2,373	\$ 57,835
Restricted assets:					
Cash and investments	-	22,103	19,173	358,798	400,074
Total cash and investment assets - December 31	<u>\$ 55,462</u>	<u>\$ 22,103</u>	<u>\$ 19,173</u>	<u>\$ 361,171</u>	<u>\$ 457,909</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Culture and recreation	\$ -	\$ -	\$ -	\$ 3,586	\$ 3,586
Other purposes	-	22,103	19,173	351,494	392,770
Unrestricted	55,462	-	-	6,091	61,553
Total cash and investment fund balance - December 31	<u>\$ 55,462</u>	<u>\$ 22,103</u>	<u>\$ 19,173</u>	<u>\$ 361,171</u>	<u>\$ 457,909</u>

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

TOWN OF DUGGER
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2006

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Measured revenue:			
Residential	\$ 320,679	\$ 130,686	\$ 451,365
Other	12,770	-	12,770
Total operating receipts	<u>333,449</u>	<u>130,686</u>	<u>464,135</u>
Operating disbursements:			
Salaries and wages	91,636	51,582	143,218
Employee pensions and benefits	15,070	8,219	23,289
Purchased water	106,600	-	106,600
Purchased power	6,945	16,242	23,187
Material and supplies	63,600	8,178	71,778
Contractual services	487,998	34,600	522,598
Transportation disbursements	14,180	509	14,689
Insurance disbursements	28,096	8,294	36,390
Regulatory commission disbursements	3,245	-	3,245
Miscellaneous disbursements	36,223	7,936	44,159
Total operating disbursements	<u>853,593</u>	<u>135,560</u>	<u>989,153</u>
Deficiency of operating receipts over operating disbursements	<u>(520,144)</u>	<u>(4,874)</u>	<u>(525,018)</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	520	238	758
Debt service of principal	(7,875)	(6,000)	(13,875)
Interest and investment disbursement	(2,627)	(7,050)	(9,677)
Miscellaneous disbursements	(10,000)	-	(10,000)
Total nonoperating disbursements	<u>(19,982)</u>	<u>(12,812)</u>	<u>(32,794)</u>
Deficiency of receipts over disbursements and nonoperating disbursements	<u>(540,126)</u>	<u>(17,686)</u>	<u>(557,812)</u>
Capital contributions	<u>480,000</u>	<u>-</u>	<u>480,000</u>
Deficiency of receipts, contributions and transfers in over disbursements and transfers out	<u>(60,126)</u>	<u>(17,686)</u>	<u>(77,812)</u>
Cash and investment fund balance - beginning	<u>252,982</u>	<u>55,755</u>	<u>308,737</u>
Cash and investment fund balance - ending	<u>\$ 192,856</u>	<u>\$ 38,069</u>	<u>\$ 230,925</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 41,220	\$ 15,332	\$ 56,552
Restricted assets:			
Cash and investments	<u>151,636</u>	<u>22,737</u>	<u>174,373</u>
Total cash and investment assets - December 31	<u>\$ 192,856</u>	<u>\$ 38,069</u>	<u>\$ 230,925</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ -	\$ 16,802	\$ 16,802
Other purposes	151,636	5,935	157,571
Unrestricted	<u>41,220</u>	<u>15,332</u>	<u>56,552</u>
Total cash and investment fund balance - December 31	<u>\$ 192,856</u>	<u>\$ 38,069</u>	<u>\$ 230,925</u>

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

TOWN OF DUGGER
 STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 FIDUCIARY FUND
 For The Year Ended December 31, 2006

	Agency Fund
Additions:	
Agency fund additions	\$ 240,628
Deductions:	
Agency fund deductions	240,383
Excess of total additions over total deductions	245
Cash and investment fund balance - beginning	8,986
Cash and investment fund balance - ending	\$ 9,231

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

TOWN OF DUGGER
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2007

Functions/Programs	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Capital Grants and Contributions	Primary Government		Totals
				Governmental Activities	Business-Type Activities	
Primary government:						
Governmental activities:						
General government	\$ 200,274	\$ 11,020	\$ -	\$ (189,254)	\$ -	\$ (189,254)
Public safety	18,881	1,073	-	(17,808)	-	(17,808)
Highways and streets	17,657	43,664	-	26,007	-	26,007
Sanitation	37,293	-	-	(37,293)	-	(37,293)
Economic development	-	26,211	18,120	44,331	-	44,331
Culture and recreation	190	-	-	(190)	-	(190)
Interest on long-term debt	1,256	-	-	(1,256)	-	(1,256)
Total governmental activities	<u>275,551</u>	<u>81,968</u>	<u>18,120</u>	<u>(175,463)</u>	<u>-</u>	<u>(175,463)</u>
Business-type activities:						
Water	356,881	330,821	-	-	(26,060)	(26,060)
Wastewater	226,699	127,431	95,000	-	(4,268)	(4,268)
Total business-type activities	<u>583,580</u>	<u>458,252</u>	<u>95,000</u>	<u>-</u>	<u>(30,328)</u>	<u>(30,328)</u>
Total primary government	<u>\$ 859,131</u>	<u>\$ 540,220</u>	<u>\$ 113,120</u>	<u>(175,463)</u>	<u>(30,328)</u>	<u>(205,791)</u>
General receipts:						
Property taxes				122,477	-	122,477
Unrestricted investment earnings				264	1,982	2,246
Total general receipts				<u>122,741</u>	<u>1,982</u>	<u>124,723</u>
Change in net assets				(52,722)	(28,346)	(81,068)
Net assets - beginning				<u>457,909</u>	<u>230,925</u>	<u>688,834</u>
Net assets - ending				<u>\$ 405,187</u>	<u>\$ 202,579</u>	<u>\$ 607,766</u>
<u>Assets</u>						
Cash and investments				\$ 9,663	\$ 32,261	\$ 41,924
Cash with fiscal agent				-	-	-
Restricted assets:						
Cash and investments				<u>395,524</u>	<u>170,318</u>	<u>565,842</u>
Total assets				<u>\$ 405,187</u>	<u>\$ 202,579</u>	<u>\$ 607,766</u>
<u>Net Assets</u>						
Restricted for:						
Culture and recreation				\$ 5,386	\$ -	\$ 5,386
Debt service				-	115,860	115,860
Other purposes				390,138	54,458	444,596
Unrestricted				<u>9,663</u>	<u>32,261</u>	<u>41,924</u>
Total net assets				<u>\$ 405,187</u>	<u>\$ 202,579</u>	<u>\$ 607,766</u>

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

TOWN OF DUGGER
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	General	Motor Vehicle Highway	Community Development Block Grant	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 110,305	\$ 6,150	\$ -	\$ 6,022	\$ 122,477
Intergovernmental	2,489	34,031	-	7,144	43,664
Charges for services	7,564	-	-	3,720	11,284
Fines and forfeits	1,073	-	-	-	1,073
Other	7,977	-	18,120	18,234	44,331
Total receipts	129,408	40,181	18,120	35,120	222,829
Disbursements:					
General government	174,326	-	-	18,073	192,399
Public safety	18,881	-	-	-	18,881
Highways and streets	-	7,569	-	643	8,212
Culture and recreation	-	-	-	190	190
Urban redevelopment and housing	-	-	37,293	-	37,293
Debt service:					
Principal	-	-	-	7,875	7,875
Interest	-	-	-	1,255	1,255
Capital outlay:					
Special assessments	-	-	-	9,445	9,445
Total disbursements	193,207	7,569	37,293	37,481	275,550
Excess (deficiency) of receipts over disbursements	(63,799)	32,612	(19,173)	(2,361)	(52,721)
Other financing sources (uses):					
Transfers in	18,000	-	-	-	18,000
Transfers out	-	(18,000)	-	-	(18,000)
Total other financing sources (uses)	18,000	(18,000)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(45,799)	14,612	(19,173)	(2,361)	(52,721)
Cash and investment fund balance - beginning	55,462	22,102	19,173	361,171	457,908
Cash and investment fund balance - ending	<u>\$ 9,663</u>	<u>\$ 36,714</u>	<u>\$ -</u>	<u>\$ 358,810</u>	<u>\$ 405,187</u>
Cash and Investment Assets - December 31					
Cash and investments	\$ 9,663	\$ -	\$ -	\$ 8,395	\$ 18,058
Restricted assets:					
Cash and investments	-	36,714	-	350,415	387,129
Total cash and investment assets - December 31	<u>\$ 9,663</u>	<u>\$ 36,714</u>	<u>\$ -</u>	<u>\$ 358,810</u>	<u>\$ 405,187</u>
Cash and Investment Fund Balance - December 31					
Restricted for:					
Culture and recreation	\$ -	\$ -	\$ -	\$ 5,385	\$ 5,385
Other purposes	-	36,714	-	345,030	381,744
Unrestricted	9,663	-	-	8,395	18,058
Total cash and investment fund balance - December 31	<u>\$ 9,663</u>	<u>\$ 36,714</u>	<u>\$ -</u>	<u>\$ 358,810</u>	<u>\$ 405,187</u>

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

TOWN OF DUGGER
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2007

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Other water revenue	\$ 5,624	\$ -	\$ 5,624
Measured revenue:			
Residential	313,750	127,431	441,181
Other	11,147	300	11,447
	<u>330,521</u>	<u>127,731</u>	<u>458,252</u>
Total operating receipts			
Operating disbursements:			
Salaries and wages	84,597	36,864	121,461
Employee pensions and benefits	14,808	10,475	25,283
Purchased water	126,651	-	126,651
Purchased power	8,549	15,740	24,289
Material and supplies	19,270	9,648	28,918
Contractual services	7,588	25,863	33,451
Transportation disbursements	10,066	540	10,606
Insurance disbursements	27,417	10,149	37,566
Regulatory commission disbursements	195	-	195
Miscellaneous disbursements	28,176	104,670	132,846
	<u>327,317</u>	<u>213,949</u>	<u>541,266</u>
Total operating disbursements			
Excess (deficiency) of operating receipts over operating disbursements	<u>3,204</u>	<u>(86,218)</u>	<u>(83,014)</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	1,733	249	1,982
Debt service of principal	-	(6,000)	-
Interest and investment disbursement	(1,141)	(6,750)	(7,891)
Miscellaneous disbursements	(28,423)	-	(28,423)
	<u>(27,831)</u>	<u>(12,501)</u>	<u>(40,332)</u>
Total nonoperating disbursements			
Deficiency of receipts over disbursements and nonoperating disbursements	(24,627)	(98,719)	(123,346)
Capital contributions	<u>-</u>	<u>95,000</u>	<u>95,000</u>
Deficiency of receipts, contributions and transfers in over disbursements and transfers out	(24,627)	(3,719)	(28,346)
Cash and investment fund balance - beginning	<u>192,856</u>	<u>38,069</u>	<u>230,925</u>
Cash and investment fund balance - ending	<u>\$ 168,229</u>	<u>\$ 34,350</u>	<u>\$ 202,579</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 24,573	\$ 11,613	\$ 36,186
Restricted assets:			
Cash and investments	<u>143,656</u>	<u>22,737</u>	<u>166,393</u>
Total cash and investment assets - December 31	<u>\$ 168,229</u>	<u>\$ 34,350</u>	<u>\$ 202,579</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ -	\$ 927	\$ 927
Other purposes	143,657	11,313	154,970
Unrestricted	<u>24,572</u>	<u>22,110</u>	<u>46,682</u>
Total cash and investment fund balance - December 31	<u>\$ 168,229</u>	<u>\$ 34,350</u>	<u>\$ 202,579</u>

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

TOWN OF DUGGER
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For The Year Ended December 31, 2007

	Agency Fund
Additions:	
Agency fund additions	\$ 227,205
Deductions:	
Agency fund deductions	221,032
Excess of total additions over total deductions	6,173
Cash and investment fund balance - beginning	9,231
Cash and investment fund balance - ending	\$ 15,404

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

TOWN OF DUGGER
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, general administrative services, water and wastewater.

The Town's financial reporting entity is composed of the following:

Primary Government: Town of Dugger

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle highway fund, accounts for all financial resources for the construction and maintenance of streets and alleys.

The community development block grant fund accounts for all federal resources for necessary home improvements for lower income town citizens.

The Town reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

TOWN OF DUGGER
NOTES TO FINANCIAL STATEMENTS
(Continued)

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

Additionally, the Town reports the following fund type:

Agency funds account for assets held by the Town as an agent for payroll and serve as control of accounts for certain cash transactions during the time they are a liability to the Town.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, 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 cash and investment 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. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are service charges between the Town and Water and Wastewater Utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

TOWN OF DUGGER
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the Town's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

TOWN OF DUGGER
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are

TOWN OF DUGGER
NOTES TO FINANCIAL STATEMENTS
(Continued)

sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision.

B. Segment Information

The Town issued a revenue bond to finance Wastewater Utility expansion. Investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial information for the Wastewater Utility is presented below.

Condensed Statement of Cash and Investment Net Assets		
	2006	2007
Cash and investment assets:		
Cash and investments	\$ 15,332	\$ 11,613
Restricted assets	22,737	22,737
Total cash and investment assets	\$ 38,069	\$ 34,350
Cash and investment net assets:		
Restricted for:		
Debt service	\$ 16,802	\$ 927
Other purposes	5,935	11,313
Unrestricted	15,332	22,110
Total cash and investment net assets	\$ 38,069	\$ 34,350

TOWN OF DUGGER
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Condensed Statement of Receipts, Disbursements and Changes in Cash and Net Assets</u>		
	<u>2006</u>	<u>2007</u>
Receipts (pledged against bond)	\$ 130,686	\$ 127,731
Operating disbursements	<u>(135,560)</u>	<u>(213,949)</u>
Deficiency of receipts over disbursements	<u>(4,874)</u>	<u>(86,218)</u>
Nonoperating receipts (disbursements):		
Interest received	238	249
Interest disbursed	(7,050)	(6,750)
Debt service of principal	(6,000)	(6,000)
Capital contributions	<u>-</u>	<u>95,000</u>
Total nonoperating receipts and capital contributions	<u>(12,812)</u>	<u>82,499</u>
Deficiency of receipts over disbursements and nonoperating disbursements	(17,686)	(3,719)
Beginning cash and investment net assets	<u>55,755</u>	<u>38,069</u>
Ending cash and investment net assets	<u>\$ 38,069</u>	<u>\$ 34,350</u>

IV. Other Information

A. Risk Management

The Town is 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Rate Structure – Enterprise Funds

Water Utility

On November 1, 1993, the Town Council adopted Ordinance No. Ordinance 1-1993 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on June 1, 2005.

TOWN OF DUGGER
NOTES TO FINANCIAL STATEMENTS
(Continued)

Wastewater Utility

The current rate structure was approved by the Town Council on September 4, 2001.

C. Brownfield Grants

The Town received in the years 2006 and 2007 two Brownfield grants, \$9,228 and \$82,193 respectively to clean a hazardous site for redevelopment. The financial transactions of these grants are not reflected in the financial statements

D. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town 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 the defined benefit plan. State statutes (Indiana Code 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Town 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 member's 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. The 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 plan members for PERF are established by the Board of Trustees of PERF. The Town's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the Town and the Utilities is not available.

TOWN OF DUGGER
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 13,733
Interest on net pension obligation	(1,141)
Adjustment to annual required contribution	1,300
Annual pension cost	13,892
Contributions made	16,186
Decrease in net pension obligation	(2,294)
Net pension obligation, beginning of year	(15,739)
Net pension obligation, end of year	\$ (18,033)
Contribution rates:	
Town	7.25%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%*

* 2.75% converted members; 4% nonconverted members

TOWN OF DUGGER
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-04	\$ 12,424	92%	\$ (12,758)
	06-30-05	10,892	127%	(15,759)
	06-30-06	13,892	117%	(18,033)

TOWN OF DUGGER
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 25,050	\$ 79,345	\$ (54,295)	32%	\$ 133,252	(41%)
07-01-05	36,148	105,161	(69,013)	34%	169,595	(41%)
07-01-06	40,860	119,284	(78,424)	34%	173,402	(45%)

TOWN OF DUGGER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006

	Local Road and Street	Law Enforcement Continuing Education	Riverboat	Donation	Cumulative Capital Improvement	Cemetery Maintenance and Improvement	Levy Excess	CDBG Grant Lien	Totals
Receipts:									
Taxes	\$ -	\$ -	\$ 6,010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,010
Intergovernmental	3,720	-	-	-	3,412	-	-	-	7,132
Charges for services	-	158	-	-	-	-	-	-	158
Other	-	-	-	1,619	-	15,417	-	9,920	26,956
Total receipts	3,720	158	6,010	1,619	3,412	15,417	-	9,920	40,256
Disbursements:									
General government	-	-	-	-	-	16,037	-	-	16,037
Public safety	-	-	9,700	-	-	-	-	-	9,700
Highways and streets	3,500	-	-	-	-	-	-	-	3,500
Culture and recreation	-	-	-	193	-	-	-	-	193
Capital outlay:									
Highways and streets	-	-	-	-	305	-	-	-	305
Total disbursements	3,500	-	9,700	193	305	16,037	-	-	29,735
Excess (deficiency) of receipts over disbursements	220	158	(3,690)	1,426	3,107	(620)	-	9,920	10,521
Other financing sources :									
Transfers in	-	-	-	-	-	-	378	-	378
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	220	158	(3,690)	1,426	3,107	(620)	378	9,920	10,899
Cash and investment fund balance - beginning	813	2,059	6,063	2,160	2,984	335,742	-	451	350,272
Cash and investment fund balance - ending	\$ 1,033	\$ 2,217	\$ 2,373	\$ 3,586	\$ 6,091	\$ 335,122	\$ 378	\$ 10,371	\$ 361,171
Cash and Investment Assets - December 31									
Cash and investments	\$ -	\$ -	\$ 2,373	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,373
Restricted assets:									
Cash and investments	1,033	2,217	-	3,586	6,091	335,122	378	10,371	358,798
Total cash and investment assets - December 31	\$ 1,033	\$ 2,217	\$ 2,373	\$ 3,586	\$ 6,091	\$ 335,122	\$ 378	\$ 10,371	\$ 361,171
Cash and Investment Fund Balance - December 31									
Restricted for:									
Culture and recreation	\$ -	\$ -	\$ -	\$ 3,586	\$ -	\$ -	\$ -	\$ -	\$ 3,586
Other purposes	1,033	2,217	2,373	-	-	335,122	378	10,371	351,494
Unrestricted	-	-	-	-	6,091	-	-	-	6,091
Total cash and investment fund balance - December 31	\$ 1,033	\$ 2,217	\$ 2,373	\$ 3,586	\$ 6,091	\$ 335,122	\$ 378	\$ 10,371	\$ 361,171

TOWN OF DUGGER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007

	Local Road and Street	Law Enforcement Continuing Education	Riverboat	Donation	Cumulative Capital Improvement	Cemetery Maintenance and Improvement	Levy Excess	CDBG Grant Lien	Totals
Receipts:									
Taxes	\$ -	\$ -	\$ 6,022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,022
Intergovernmental	3,790	-	-	-	3,354	-	-	-	7,144
Charges for services	-	120	-	-	-	3,600	-	-	3,720
Other	-	-	-	1,989	-	16,245	-	-	18,234
Total receipts	<u>3,790</u>	<u>120</u>	<u>6,022</u>	<u>1,989</u>	<u>3,354</u>	<u>19,845</u>	<u>-</u>	<u>-</u>	<u>35,120</u>
Disbursements:									
General government	-	-	-	-	-	18,073	-	-	18,073
Highways and streets	643	-	-	-	-	-	-	-	643
Culture and recreation	-	-	-	190	-	-	-	-	190
Debt service:									
Principal	-	-	-	-	-	-	-	7,875	7,875
Interest	-	-	-	-	-	-	-	1,255	1,255
Capital outlay:									
Special assessments	-	-	-	-	9,445	-	-	-	9,445
Total disbursements	<u>643</u>	<u>-</u>	<u>-</u>	<u>190</u>	<u>9,445</u>	<u>18,073</u>	<u>-</u>	<u>9,130</u>	<u>37,481</u>
Excess (deficiency) of receipts over disbursements	<u>3,147</u>	<u>120</u>	<u>6,022</u>	<u>1,799</u>	<u>(6,091)</u>	<u>1,772</u>	<u>-</u>	<u>(9,130)</u>	<u>(2,361)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>3,147</u>	<u>120</u>	<u>6,022</u>	<u>1,799</u>	<u>(6,091)</u>	<u>1,772</u>	<u>-</u>	<u>(9,130)</u>	<u>(2,361)</u>
Cash and investment fund balance - beginning	<u>1,033</u>	<u>2,217</u>	<u>2,373</u>	<u>3,586</u>	<u>6,091</u>	<u>335,122</u>	<u>378</u>	<u>10,371</u>	<u>361,171</u>
Cash and investment fund balance - ending	<u>\$ 4,180</u>	<u>\$ 2,337</u>	<u>\$ 8,395</u>	<u>\$ 5,385</u>	<u>\$ -</u>	<u>\$ 336,894</u>	<u>\$ 378</u>	<u>\$ 1,241</u>	<u>\$ 358,810</u>
<u>Cash and Investment Assets - December 31</u>									
Cash and investments	\$ -	\$ -	\$ 8,395	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,395
Restricted assets:									
Cash and investments	<u>4,180</u>	<u>2,337</u>	<u>-</u>	<u>5,385</u>	<u>-</u>	<u>336,894</u>	<u>378</u>	<u>1,241</u>	<u>350,415</u>
Total cash and investment assets - December 31	<u>\$ 4,180</u>	<u>\$ 2,337</u>	<u>\$ 8,395</u>	<u>\$ 5,385</u>	<u>\$ -</u>	<u>\$ 336,894</u>	<u>\$ 378</u>	<u>\$ 1,241</u>	<u>\$ 358,810</u>
<u>Cash and Investment Fund Balance - December 31</u>									
Restricted for:									
Culture and recreation	\$ -	\$ -	\$ -	\$ 5,385	\$ -	\$ -	\$ -	\$ -	\$ 5,385
Other purposes	4,180	2,337	-	-	-	336,894	378	1,241	345,030
Unrestricted	<u>-</u>	<u>-</u>	<u>8,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,395</u>
Total cash and investment fund balance - December 31	<u>\$ 4,180</u>	<u>\$ 2,337</u>	<u>\$ 8,395</u>	<u>\$ 5,385</u>	<u>\$ -</u>	<u>\$ 336,894</u>	<u>\$ 378</u>	<u>\$ 1,241</u>	<u>\$ 358,810</u>

TOWN OF DUGGER
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2007

The Town of Dugger has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Water Utility		
State Revolving Loan:		
Water Utility Improvements	\$ 78,750	\$ 7,875
Wastewater Utility		
Revenue bonds:		
Wastewater Utility Expansions	129,000	7,000
Total business-type activities debt:	<u>\$ 207,750</u>	<u>\$ 14,875</u>

TOWN OF DUGGER
AUDIT RESULT AND COMMENT

DEPOSITS

In several instances, receipts were deposited later than the next business day.

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."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE TOWN OF DUGGER, SULLIVAN COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Dugger (Town) 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 each of its major federal programs for the years ended December 31, 2006 and 2007. The Town's major federal programs are 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 each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town'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 Town'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 Town's compliance with those requirements.

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2007.

Internal Control Over Compliance

The management of the Town 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 Town'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, 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 Town's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a Town's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the Town's management, the Town Council, and 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

March 22, 2008

TOWN OF DUGGER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2006 and 2007

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-06	Total Federal Awards Expended 12-31-07
<u>U.S. DEPARTMENT OF HOUSING AND DEVELOPMENT</u>				
Indiana Housing and Community Development Authority Community Development Block Grants/Entitlement Grants	14.218	HD-005-021	\$ 206,880	\$ 18,120
Indiana Office of Community and Rural Affairs Community Development Block Grants/State's Program	14.228	CF-04-125	480,000	-
Total for federal grantor agency			<u>686,880</u>	<u>18,120</u>
Total federal awards expended			<u>\$ 686,880</u>	<u>\$ 18,120</u>

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

TOWN OF DUGGER
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 Town of Dugger (Town) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code 5-11-1 et seq., audits of towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF DUGGER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	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 Programs:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grants/State's Program

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.

TOWN OF DUGGER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF DUGGER
EXIT CONFERENCE

The contents of this report were discussed on April 2, 2008, with Terri N. McCoy, Clerk-Treasurer; and Bill Pirtle, President of the Town Council. The officials concurred with our audit finding.