

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

AUDIT REPORT

OF

TOWN OF DANA

VERMILLION COUNTY, INDIANA

January 1, 2009 to December 31, 2010



**FILED**  
08/22/2011



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards.....	3-4
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 .....	5-6
Financial Statements: Statements of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	8-9
Notes to Financial Statements .....	10-13
Supplementary Information: Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	16-22
Schedule of Capital Assets.....	23
Schedule of Long-Term Debt .....	24
Audit Results and Comments: Police Department Receipts and Fees .....	25
Internal Controls Over Financial Transactions and Reporting .....	25
Certified Report Not Filed .....	26
Annual Report Not Filed Timely.....	26
Supplemental Audit of Federal Awards: 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.....	28-29
Schedule of Expenditures of Federal Awards .....	30
Note to Schedule of Expenditures of Federal Awards.....	31
Schedule of Findings and Questioned Costs .....	32-33
Auditee Prepared Schedules: Summary Schedule of Prior Audit Findings .....	34
Corrective Action Plan.....	35
Exit Conference.....	36

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Toni Gilbert	01-01-08 to 12-31-11
President of the Town Council	Thomas L. Gilbert	01-01-09 to 12-31-11
Superintendent of Water Utility	Jason Vandivier	01-01-09 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE TOWN OF DANA, VERMILLION COUNTY, INDIANA

We have audited the accompanying financial statements of the Town of Dana (Town), for the years ended December 31, 2009 and 2010. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial 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 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated July 28, 2011, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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

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

July 28, 2011



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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 DANA, VERMILLION COUNTY, INDIANA

We have audited the financial statements of the Town of Dana (Town), for the years ended December 31, 2009 and 2010, and have issued our report thereon dated July 28, 2011. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2010-1 to be material weaknesses.

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.

The Town's response to the finding identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

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

July 28, 2011

FINANCIAL STATEMENTS

TOWN OF DANA  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General	\$ 49,244	\$ 127,949	\$ 113,493	\$ 63,700
Town Marshal	318	3	-	321
Fire Arms	1,335	330	-	1,665
Sewage	929	-	-	929
MVH	36,209	33,355	41,465	28,099
LRS	12,934	3,017	-	15,951
Riverboat Wagering	8,327	14,143	10,000	12,470
Rainy Day	1,762	1,675	1,675	1,762
Levy Excess	565	-	-	565
Cumulative Capl Imprv Cigarette Tax	16,322	2,030	-	18,352
CEDIT	11,671	3,022	3,700	10,993
Parks	6,243	1,741	45	7,939
Water Utility-Bond And Interest	10,692	21,860	16,858	15,694
Water Utility-Operating	9,361	137,307	125,965	20,703
Wastewater Utility-Operating	50	35	1	84
Wastewater Utility Depreciation/Improven	-	170,000	167,500	2,500
Water Utility-Customer Deposit	1,302	1,532	550	2,284
Water Utility Depreciation/Improvement	10,170	46	-	10,216
Water Utility-Meter Fund	4,709	3,228	7,899	38
Water Utility- Debt Reserve	18,221	82	-	18,303
Totals	<u>\$ 200,364</u>	<u>\$ 521,355</u>	<u>\$ 489,151</u>	<u>\$ 232,568</u>

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

TOWN OF DANA  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 63,700	\$ 159,845	\$ 114,406	\$ 109,139
Motor Vehicle Highway	28,099	27,382	40,073	15,408
LRS	15,951	3,112	-	19,063
Riverboat	12,470	4,143	9,155	7,458
Parks	7,939	3,000	5,585	5,354
Rainy Day	1,762	251	-	2,013
Sewage	929	131	1,060	-
Levy Excess	565	-	-	565
Firearms	1,665	50	-	1,715
Town Marshal	321	-	131	190
CCI	18,352	1,938	-	20,290
CEDIT	10,993	2,932	3,521	10,404
Wastewater Utility-Operating	84	131,003	129,306	1,781
Wastewater Util-Bond And Interest	-	7,909	-	7,909
Wastewater Utility-Construction	-	1,668,845	1,518,323	150,522
Water Utility-Operating	20,703	134,942	143,534	12,111
Water Utility-Bond And Interest	15,694	21,840	18,150	19,384
Water Utility Depreciation/Improvement	10,216	2,788	1	13,003
Water Utility-Customer Deposit	2,284	1,505	364	3,425
Water Meter Fund	38	3,259	1,525	1,772
Water Utility-Debt Reserve	18,303	46	-	18,349
Wastewater Utility Depreciation/Improven	2,500	164,267	1,500	165,267
Interim Rates	-	15,953	10,365	5,588
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Totals	<u>\$ 232,568</u>	<u>\$ 2,355,141</u>	<u>\$ 1,996,999</u>	<u>\$ 590,710</u>

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

TOWN OF DANA  
NOTES TO FINANCIAL STATEMENTS

**Note 1. 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 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 statements presents the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

*B. Basis of Accounting*

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

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

*C. Cash and Investments*

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

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

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

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.

TOWN OF DANA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax 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 statements. The aggregate disbursements may include, but are not limited to, 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 Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

TOWN OF DANA  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

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

*F. Interfund Transfers*

The Town 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 Town. 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 Town. 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 Town 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 Town 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 Town 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.

TOWN OF DANA  
NOTES TO FINANCIAL STATEMENTS  
(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 Town 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 Town 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 Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

(This page intentionally left blank.)

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town of Dana's Annual Reports can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

TOWN OF DANA  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2009

	General	Town Marshal	Fire Arms	Sewage	MVH	LRS	Riverboat Wagering
Cash and investments - beginning	\$ 49,244	\$ 318	\$ 1,335	\$ 929	\$ 36,209	\$ 12,934	\$ 8,327
Receipts:							
Taxes	115,427	-	-	-	7,396	-	-
Licenses and permits	2	-	-	-	-	-	-
Intergovernmental	2,698	-	-	-	25,958	3,017	4,143
Charges for services	-	3	330	-	-	-	-
Fines and forfeits	3	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	9,819	-	-	-	1	-	10,000
Total receipts	<u>127,949</u>	<u>3</u>	<u>330</u>	<u>-</u>	<u>33,355</u>	<u>3,017</u>	<u>14,143</u>
Disbursements:							
Personal services	24,741	-	-	-	31,618	-	-
Supplies	2,484	-	-	-	-	-	-
Other services and charges	57,287	-	-	-	9,847	-	10,000
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	8,108	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	20,873	-	-	-	-	-	-
Total disbursements	<u>113,493</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,465</u>	<u>-</u>	<u>10,000</u>
Excess (deficiency) of receipts over disbursements	<u>14,456</u>	<u>3</u>	<u>330</u>	<u>-</u>	<u>(8,110)</u>	<u>3,017</u>	<u>4,143</u>
Cash and investments - ending	<u>\$ 63,700</u>	<u>\$ 321</u>	<u>\$ 1,665</u>	<u>\$ 929</u>	<u>\$ 28,099</u>	<u>\$ 15,951</u>	<u>\$ 12,470</u>

TOWN OF DANA  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For The Year Ended December 31, 2009  
(Continued)

	Rainy Day	Levy Excess	Cumulative Capital Improvement	CEDIT	Parks	Water Utility-Bond And Interest	Water Utility-Operating
Cash and investments - beginning	\$ 1,762	\$ 565	\$ 16,322	\$ 11,671	\$ 6,243	\$ 10,692	\$ 9,361
Receipts:							
Taxes	-	-	-	-	1,687	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	2,030	3,022	54	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	120,448
Other receipts	1,675	-	-	-	-	21,860	16,859
Total receipts	<u>1,675</u>	<u>-</u>	<u>2,030</u>	<u>3,022</u>	<u>1,741</u>	<u>21,860</u>	<u>137,307</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	1,675	-	-	-	45	-	-
Debt service - principal and interest	-	-	-	-	-	12,929	37,902
Capital outlay	-	-	-	3,700	-	-	-
Utility operating expenses	-	-	-	-	-	3,929	20,030
Other disbursements	-	-	-	-	-	-	68,033
Total disbursements	<u>1,675</u>	<u>-</u>	<u>-</u>	<u>3,700</u>	<u>45</u>	<u>16,858</u>	<u>125,965</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>2,030</u>	<u>(678)</u>	<u>1,696</u>	<u>5,002</u>	<u>11,342</u>
Cash and investments - ending	<u>\$ 1,762</u>	<u>\$ 565</u>	<u>\$ 18,352</u>	<u>\$ 10,993</u>	<u>\$ 7,939</u>	<u>\$ 15,694</u>	<u>\$ 20,703</u>

TOWN OF DANA  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2009  
 (Continued)

	Wastewater Utility-Operating	Wastewater Utility Depreciation/ Improvement	Water Utility-Customer Deposit	Water Utility Depreciation/ Improvement	Water Utility-Meter Fund	Water Utility - Debt Reserve	Totals
Cash and investments - beginning	\$ 50	\$ -	\$ 1,302	\$ 10,170	\$ 4,709	\$ 18,221	\$ 200,364
Receipts:							
Taxes	-	-	-	-	-	-	124,510
Licenses and permits	-	-	-	-	-	-	2
Intergovernmental	-	-	-	-	-	-	40,922
Charges for services	-	-	-	-	-	-	333
Fines and forfeits	-	-	-	-	-	-	3
Utility fees	-	-	-	-	-	-	120,448
Other receipts	35	170,000	1,532	46	3,228	82	235,137
Total receipts	35	170,000	1,532	46	3,228	82	521,355
Disbursements:							
Personal services	-	-	-	-	-	-	56,359
Supplies	-	-	-	-	-	-	2,484
Other services and charges	-	-	-	-	-	-	78,854
Debt service - principal and interest	-	-	-	-	-	-	50,831
Capital outlay	-	-	-	-	-	-	11,808
Utility operating expenses	1	32,472	550	-	7,899	-	64,881
Other disbursements	-	135,028	-	-	-	-	223,934
Total disbursements	1	167,500	550	-	7,899	-	489,151
Excess (deficiency) of receipts over disbursements	34	2,500	982	46	(4,671)	82	32,204
Cash and investments - ending	\$ 84	\$ 2,500	\$ 2,284	\$ 10,216	\$ 38	\$ 18,303	\$ 232,568

TOWN OF DANA  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	LRS	Riverboat	Parks	Rainy Day
Cash and investments - beginning	\$ 63,700	\$ 28,099	\$ 15,951	\$ 12,470	\$ 7,939	\$ 1,762
Receipts:						
Taxes	125,063	27,274	3,112	-	1,000	-
Licenses and permits	6	-	-	-	-	-
Intergovernmental	2,616	-	-	4,143	2,000	-
Charges for services	50	-	-	-	-	-
Fines and forfeits	100	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	32,010	108	-	-	-	251
Total receipts	<u>159,845</u>	<u>27,382</u>	<u>3,112</u>	<u>4,143</u>	<u>3,000</u>	<u>251</u>
Disbursements:						
Personal services	31,325	30,294	-	-	-	-
Supplies	5,782	4,464	-	-	-	-
Other services and charges	36,870	-	-	9,155	5,585	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	40,429	5,315	-	-	-	-
Total disbursements	<u>114,406</u>	<u>40,073</u>	<u>-</u>	<u>9,155</u>	<u>5,585</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>45,439</u>	<u>(12,691)</u>	<u>3,112</u>	<u>(5,012)</u>	<u>(2,585)</u>	<u>251</u>
Cash and investments - ending	<u>\$ 109,139</u>	<u>\$ 15,408</u>	<u>\$ 19,063</u>	<u>\$ 7,458</u>	<u>\$ 5,354</u>	<u>\$ 2,013</u>

TOWN OF DANA  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Sewage	Levy Excess	Firearms	Town Marshal	CCI	CEDIT
Cash and investments - beginning	\$ 929	\$ 565	\$ 1,665	\$ 321	\$ 18,352	\$ 10,993
Receipts:						
Taxes	-	-	-	-	-	2,932
Licenses and permits	-	-	50	-	-	-
Intergovernmental	-	-	-	-	1,938	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	131	-	-	-	-	-
Total receipts	<u>131</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>1,938</u>	<u>2,932</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	1,060	-	-	-	-	-
Other services and charges	-	-	-	-	-	3,521
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	131	-	-
Total disbursements	<u>1,060</u>	<u>-</u>	<u>-</u>	<u>131</u>	<u>-</u>	<u>3,521</u>
Excess (deficiency) of receipts over disbursements	<u>(929)</u>	<u>-</u>	<u>50</u>	<u>(131)</u>	<u>1,938</u>	<u>(589)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 565</u>	<u>\$ 1,715</u>	<u>\$ 190</u>	<u>\$ 20,290</u>	<u>\$ 10,404</u>

TOWN OF DANA  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Wastewater Utility-Construction	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility Depreciation/ Improvement
Cash and investments - beginning	\$ 84	\$ -	\$ -	\$ 20,703	\$ 15,694	\$ 10,216
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	130,308	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	695	-	-	134,942	-	-
Other receipts	-	7,909	1,668,845	-	21,840	2,788
Total receipts	<u>131,003</u>	<u>7,909</u>	<u>1,668,845</u>	<u>134,942</u>	<u>21,840</u>	<u>2,788</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	18,150	-
Capital outlay	-	-	341,814	-	-	-
Utility operating expenses	1,170	-	-	114,980	-	-
Other disbursements	128,136	-	1,176,509	28,554	-	1
Total disbursements	<u>129,306</u>	<u>-</u>	<u>1,518,323</u>	<u>143,534</u>	<u>18,150</u>	<u>1</u>
Excess (deficiency) of receipts over disbursements	<u>1,697</u>	<u>7,909</u>	<u>150,522</u>	<u>(8,592)</u>	<u>3,690</u>	<u>2,787</u>
Cash and investments - ending	<u>\$ 1,781</u>	<u>\$ 7,909</u>	<u>\$ 150,522</u>	<u>\$ 12,111</u>	<u>\$ 19,384</u>	<u>\$ 13,003</u>

TOWN OF DANA  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Water Utility-Customer Deposit	Water Meter Fund	Water Utility-Debt Reserve	Wastewater Utility Depreciation/ Improvement	Interim Rates	Totals
Cash and investments - beginning	\$ 2,284	\$ 38	\$ 18,303	\$ 2,500	\$ -	\$ 232,568
Receipts:						
Taxes	-	-	-	-	-	159,381
Licenses and permits	-	-	-	-	-	56
Intergovernmental	-	-	-	-	-	141,005
Charges for services	-	-	-	-	-	50
Fines and forfeits	-	-	-	-	-	100
Utility fees	1,505	3,259	-	-	-	140,401
Other receipts	-	-	46	164,267	15,953	1,914,148
Total receipts	<u>1,505</u>	<u>3,259</u>	<u>46</u>	<u>164,267</u>	<u>15,953</u>	<u>2,355,141</u>
Disbursements:						
Personal services	-	-	-	-	-	61,619
Supplies	-	-	-	-	-	11,306
Other services and charges	-	-	-	-	-	55,131
Debt service - principal and interest	-	-	-	-	-	18,150
Capital outlay	-	1,525	-	-	-	343,339
Utility operating expenses	364	-	-	-	10,365	126,879
Other disbursements	-	-	-	1,500	-	1,380,575
Total disbursements	<u>364</u>	<u>1,525</u>	<u>-</u>	<u>1,500</u>	<u>10,365</u>	<u>1,996,999</u>
Excess (deficiency) of receipts over disbursements	<u>1,141</u>	<u>1,734</u>	<u>46</u>	<u>162,767</u>	<u>5,588</u>	<u>358,142</u>
Cash and investments - ending	<u>\$ 3,425</u>	<u>\$ 1,772</u>	<u>\$ 18,349</u>	<u>\$ 165,267</u>	<u>\$ 5,588</u>	<u>\$ 590,710</u>

Town of Dana  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2010

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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 61,000
Infrastructure	3,000,000
Buildings	6,000
Machinery and equipment	<u>39,300</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 3,106,300</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 10,000
Buildings	30,000
Machinery and equipment	<u>279,400</u>
 Total Water Utility capital assets	 <u>\$ 319,400</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 33,000
Construction in Progress	<u>1,633,978</u>
 Total Wastewater Utility capital assets	 <u>\$ 1,666,978</u>
 Total business-type activities, capital assets not being depreciated	 <u>\$ 1,986,378</u>

Town of Dana  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2010

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
Water System Improvement	\$ 79,000	\$ 16,274
Wastewater Utility		
Revenue bonds:		
Sewage Works Construction	2,030,000	66,292
 Total business-type activities	 \$ 2,109,000	 \$ 82,566

TOWN OF DANA  
AUDIT RESULTS AND COMMENTS

***POLICE DEPARTMENT RECEIPTS AND FEES***

Gun Permit fees of \$145 collected by the Town Marshal in 2010 were not remitted to the Town Clerk-Treasurer for deposit to the Town account until July 12, 2011. A similar comment was reported in the prior Report B35285.

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. **Lack of Segregation of Duties:** Control activities should be selected and developed at various levels of the Town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to cash and investment balances. The Clerk-Treasurer is responsible for reconciling the bank accounts to the Town's records each month. She also has the responsibility to write checks and post transactions to the ledger. There is no approval or oversight of the bank reconciliation once it is completed. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Town Board to monitor and assess the quality of the Town's system of internal control. The Town Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility placed the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

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.

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)

TOWN OF DANA  
AUDIT RESULTS AND COMMENTS  
(Continued)

***CERTIFIED REPORT NOT FILED***

The Town did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the year 2009; the certified report for the year 2010 was not filed until June 15, 2011.

Indiana Code 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

***ANNUAL REPORT NOT FILED TIMELY***

The 2009 Annual Report for the Town of Dana was filed on April 6, 2010.

Indiana Code 5-3-1-3(a) states in part:

"Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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 DANA, VERMILLION COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Dana (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 its major federal program for the years ended December 31, 2009 and 2010. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the 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 its major federal program for the years ended December 31, 2009 and 2010.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

STATE BOARD OF ACCOUNTS

July 28, 2011

TOWN OF DANA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended December 31, 2009 and 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-09	Total Federal Awards Expended 12-31-10
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct grant				
ARRA - Water and Waste Disposal Systems for Rural Communities	10.781		\$ -	\$ 1,540,844
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass Through Indiana Office of Community and Rural Affairs				
CDBG - State Administered Small Cities Program Cluster				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	DR2-09-038	-	127,852
Total federal awards expended			<u>\$ -</u>	<u>\$ 1,668,696</u>

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

TOWN OF DANA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

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

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 (IC 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 DANA  
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?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.781	ARRA – Water and Waste Disposal Systems for Rural Communities

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**

**FINDING 2010-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to cash and investment balances. The Clerk-Treasurer is responsible for reconciling the bank accounts to the Town's records each month. She also has the responsibility to write checks and post transactions to the ledger. There is no approval or oversight of the bank reconciliation once it is completed. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

TOWN OF DANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements.
  
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Town Board to monitor and assess the quality of the Town's system of internal control. The Town Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility placed the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

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.

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)

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

No matters are reportable.

TOWN OF DANA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF DANA  
P.O. BOX 371  
DANA, IN 47847  
765-665-3617

July 28, 2011

RE: 2009 - 2010 Audit of the Town of Dana  
Finding 2010-1 Internal Controls over Financial Transactions and Reporting  
Audited Contact Person: Toni Gilbert  
Title of Contact Person: Clerk Treasurer  
Phone: 765-665-3617

The management of the Town of Dana has reviewed the Financial Statement Finding 2010-1 Internal Controls over Financial Transactions and Reporting, related to their audit for the period January 1, 2009 to December 31, 2010.

We offer the following corrective actions:

The Clerk-Treasurer's office and the Town Board will review their office and oversight procedures, respectively, and attempt to institute duties that would involve, at least on a sample basis, reviews of the work being performed by each of the office employees. However, the Town is a very small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties in the business office would outweigh the benefits of a stronger internal control-structure. Management acknowledges and assumes the risk inherent with the current design of their business office.



Toni Gilbert  
Clerk-Treasurer

TOWN OF DANA  
EXIT CONFERENCE

The contents of this report were discussed on July 28, 2011, with Toni Gilbert, Clerk-Treasurer; Thomas L. Gilbert, President of the Town Council; and Lewis W. Peery, Town Council member. The officials concurred with our audit findings.