

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF DUGGER
SULLIVAN COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
08/20/2012

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	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	10-14
Supplementary Information:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	16-21
Schedule of Leases and Debt	22
Audit Results and Comments:	
Bank Account Reconciliations	23
Conflict of Interest.....	23-24
Ordinances and Resolutions	24
Official Bond	24
Customer Deposit Register	24
Appropriations.....	24-25
Annual Report.....	25
Prescribed Forms	25
Credit Cards.....	25-26
Overdrawn Fund Balances	26
Capital Asset Records	26
List of Employees Not Filed With County Treasurer	26
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	28-29
Schedule of Expenditures of Federal Awards	32
Note to Schedule of Expenditures of Federal Awards.....	33
Schedule of Findings and Questioned Costs	34
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings	35
Exit Conference.....	36

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Michelle Riggleman	10-20-08 to 12-31-15
President of the Town Council	Bill Pirtle Dwight Nielson	01-01-10 to 12-31-11 01-01-12 to 12-31-12
Superintendent of Utilities	Lonni Boyd	01-01-10 to 12-31-12



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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Town of Dugger (Town), for the years ended December 31, 2010 and 2011. 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, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated July 26, 2012, 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
(Continued)

Our audit was conducted for the purpose of forming opinions 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 opinions on the Town's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Leases and Debt are presented for additional analysis and are not required parts of the financial statements. They 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, 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 26, 2012



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

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 Town of Dugger (Town), for the years ended December 31, 2010 and 2011, and have issued our report thereon dated July 26, 2012. 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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be 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, 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 26, 2012

FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

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

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General Fund	\$ -	\$ 251,996	\$ 251,996	\$ -
Motor Vehicle Highway	4,253	65,565	26,545	43,273
Local Road & Street	5,624	3,491	4,900	4,215
Cemetery	338,266	19,889	25,418	332,737
Community Center Donation	5,064	-	4,698	366
(Edit) Econ Dev Fund	-	37,774	37,774	-
Local Law Enf Cont Ed	1,852	726	-	2,578
Riverboat	5,977	5,976	11,953	-
Housing Lein	1,241	-	-	1,241
Christmas Light Donation	28	-	-	28
Grant Fund	21,327	292,946	299,599	14,674
Rainy Day	-	10,564	-	10,564
Levy Excess Fund	378	-	378	-
Cum Cap Imp - Cig Tax	6,034	2,796	2,952	5,878
Payroll	2,897	246,455	273,508	(24,156)
Sewage Utility Operating	17,807	196,757	205,725	8,839
Sewage Utl Bond & Int	2,922	6	-	2,928
Bony Ww B&I	20,991	40,938	55,345	6,584
Bony Ww Dsr	1,457	3,061	-	4,518
Water Utility Operating	31,331	341,830	370,645	2,516
Water Utl Depreciation	48,623	-	25,974	22,649
Water Utl Meter Deposit	37,109	3,326	10,136	30,299
Totals	<u>\$ 553,181</u>	<u>\$ 1,524,096</u>	<u>\$ 1,607,546</u>	<u>\$ 469,731</u>

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

TOWN OF DUGGER
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
GENERAL FUND	\$ -	\$ 258,311	\$ 258,311	\$ -
MOTOR VEHICLE HIGHWAY	43,273	32,233	2,351	73,155
LOCAL ROAD & STREET	4,215	3,400	-	7,615
(EDIT) ECON DEV FUND	-	41,389	41,389	-
LOCAL LAW ENF CONT ED	2,578	323	-	2,901
RAINY DAY	10,564	-	-	10,564
CUM CAP IMP - CIG TAX	5,878	2,743	1,303	7,318
RIVERBOAT	-	5,976	5,976	-
CEMETERY	332,737	9,265	77,347	264,655
COMMUNITY CTR DONATION	366	-	321	45
GRANT FUND	14,674	-	14,645	29
CHRISTMAS LIGHT DONATION	28	-	-	28
HOUSING LEIN	1,241	-	-	1,241
PAYROLL (NEW)	(24,156)	246,066	251,640	(29,730)
SEWAGE UTILITY OPERATING	8,839	195,131	201,346	2,624
SEWAGE UTL BOND & INT	2,928	3	-	2,931
BONY WW BOND & INTEREST	6,584	31,397	37,588	393
BONY WW DEBT SERV RES	4,518	2,761	-	7,279
WATER UTILITY OPERATING	2,516	339,660	341,901	275
WATER UTL DEPRECIATION	22,649	-	10,000	12,649
WATER UTL METER DEPOSIT	30,299	1,650	4,000	27,949
BONY WAT BOND & INTEREST	-	12,469	9,359	3,110
Totals	<u>\$ 469,731</u>	<u>\$ 1,182,777</u>	<u>\$ 1,257,477</u>	<u>\$ 395,031</u>

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

TOWN OF DUGGER
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 and urban redevelopment and housing.

The accompanying financial statements present the financial information for the Town.

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 include the following sources:

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

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

TOWN OF DUGGER
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Penalties which include fees received for late payments.

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 include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

TOWN OF DUGGER
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 DUGGER
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 any replacement items purchased.

Note 6. *Pension Plan*

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the 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 members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

TOWN OF DUGGER
NOTES TO FINANCIAL STATEMENTS
(Continued)

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Town's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the Town. It is presented as intended by the Town.

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

	General Fund	Motor Vehicle Highway	Local Road & Street	Cemetery	Community Center Donation	(Edit) Econ Dev Fund	Local Law Enf Cont Ed	Riverboat
Cash and investments - beginning	\$ -	\$ 4,253	\$ 5,624	\$ 338,266	\$ 5,064	\$ -	\$ 1,852	\$ 5,977
Receipts:								
Taxes	83,208	-	-	3,200	-	-	-	-
Intergovernmental	24,089	30,876	3,491	-	-	37,774	-	5,976
Charges for services	12,486	-	-	-	-	-	726	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	132,213	34,689	-	16,689	-	-	-	-
Total receipts	251,996	65,565	3,491	19,889	-	37,774	726	5,976
Disbursements:								
Personal services	138,509	-	-	5,954	-	-	-	-
Supplies	11,175	-	927	1,821	-	-	-	-
Other services and charges	56,848	3,837	-	7,153	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	282	-	-	592	4,698	3,000	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	45,182	22,708	3,973	9,898	-	34,774	-	11,953
Total disbursements	251,996	26,545	4,900	25,418	4,698	37,774	-	11,953
Excess (deficiency) of receipts over disbursements	-	39,020	(1,409)	(5,529)	(4,698)	-	726	(5,977)
Cash and investments - ending	\$ -	\$ 43,273	\$ 4,215	\$ 332,737	\$ 366	\$ -	\$ 2,578	\$ -

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

	Housing Lein	Christmas Light Donation	Grant Fund	Rainy Day	Levy Excess Fund	Cum Cap Imp - Cig Tax	Payroll	Sewage Utility Operating
Cash and investments - beginning	\$ 1,241	\$ 28	\$ 21,327	\$ -	\$ 378	\$ 6,034	\$ 2,897	\$ 17,807
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	270,039	10,564	-	2,796	-	-
Charges for services	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	183,367
Penalties	-	-	-	-	-	-	-	6,159
Other receipts	-	-	22,907	-	-	-	246,455	7,231
Total receipts	-	-	292,946	10,564	-	2,796	246,455	196,757
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	62,962
Utility operating expenses	-	-	-	-	-	-	-	96,520
Other disbursements	-	-	299,599	-	378	2,952	273,508	46,243
Total disbursements	-	-	299,599	-	378	2,952	273,508	205,725
Excess (deficiency) of receipts over disbursements	-	-	(6,653)	10,564	(378)	(156)	(27,053)	(8,968)
Cash and investments - ending	\$ 1,241	\$ 28	\$ 14,674	\$ 10,564	\$ -	\$ 5,878	\$ (24,156)	\$ 8,839

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

	Sewage Utl Bond & Int	Bony W/w B&I	Bony W/w Dsr	Water Utility Operating	Water Utl Depreciation	Water Utl Meter Deposit	Totals
Cash and investments - beginning	\$ 2,922	\$ 20,991	\$ 1,457	\$ 31,331	\$ 48,623	\$ 37,109	\$ 553,181
Receipts:							
Taxes	-	-	-	-	-	-	86,408
Intergovernmental	-	-	-	-	-	-	385,605
Charges for services	-	-	-	-	-	-	13,212
Utility fees	-	-	-	319,412	-	-	502,779
Penalties	-	-	-	2,430	-	-	8,589
Other receipts	6	40,938	3,061	19,988	-	3,326	527,503
Total receipts	6	40,938	3,061	341,830	-	3,326	1,524,096
Disbursements:							
Personal services	-	-	-	-	-	-	144,463
Supplies	-	-	-	-	-	-	13,923
Other services and charges	-	-	-	-	-	-	67,838
Debt service - principal and interest	-	55,345	-	24,369	-	-	79,714
Capital outlay	-	-	-	10,097	17,185	-	98,816
Utility operating expenses	-	-	-	305,470	-	850	402,840
Other disbursements	-	-	-	30,709	8,789	9,286	799,952
Total disbursements	-	55,345	-	370,645	25,974	10,136	1,607,546
Excess (deficiency) of receipts over disbursements	6	(14,407)	3,061	(28,815)	(25,974)	(6,810)	(83,450)
Cash and investments - ending	\$ 2,928	\$ 6,584	\$ 4,518	\$ 2,516	\$ 22,649	\$ 30,299	\$ 469,731

TOWN OF DUGGER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	GENERAL FUND	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	(EDIT) ECON DEV FUND	LOCAL LAW ENF CONT ED	RAINY DAY	CUM CAP IMP - CIG TAX	RIVERBOAT
Cash and investments - beginning	\$ -	\$ 43,273	\$ 4,215	\$ -	\$ 2,578	\$ 10,564	\$ 5,878	\$ -
Receipts:								
Taxes	96,898	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	320	-	-	-
Intergovernmental	27,475	32,233	3,400	41,389	-	-	2,743	5,976
Charges for services	12,655	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	3	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	121,283	-	-	-	-	-	-	-
Total receipts	258,311	32,233	3,400	41,389	323	-	2,743	5,976
Disbursements:								
Personal services	134,863	857	-	-	-	-	-	-
Supplies	20,767	799	-	-	-	-	-	-
Other services and charges	61,535	695	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	309	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	40,837	-	-	41,389	-	-	1,303	5,976
Total disbursements	258,311	2,351	-	41,389	-	-	1,303	5,976
Excess (deficiency) of receipts over disbursements	-	29,882	3,400	-	323	-	1,440	-
Cash and investments - ending	\$ -	\$ 73,155	\$ 7,615	\$ -	\$ 2,901	\$ 10,564	\$ 7,318	\$ -

TOWN OF DUGGER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	CEMETERY	COMMUNITY CTR DONATION	GRANT FUND	CHRISTMAS LIGHT DONATION	HOUSING LEIN	PAYROLL (NEW)	SEWAGE UTILITY OPERATING	SEWAGE UTL BOND & INT
Cash and investments - beginning	\$ 332,737	\$ 366	\$ 14,674	\$ 28	\$ 1,241	\$ (24,156)	\$ 8,839	\$ 2,928
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	4,871	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	189,096	-
Penalties	-	-	-	-	-	-	6,016	-
Other receipts	4,394	-	-	-	-	246,066	19	3
Total receipts	<u>9,265</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,066</u>	<u>195,131</u>	<u>3</u>
Disbursements:								
Personal services	18,562	-	-	-	-	251,640	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	8,680	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	105	321	-	-	-	-	10,641	-
Utility operating expenses	-	-	-	-	-	-	156,547	-
Other disbursements	50,000	-	14,645	-	-	-	34,158	-
Total disbursements	<u>77,347</u>	<u>321</u>	<u>14,645</u>	<u>-</u>	<u>-</u>	<u>251,640</u>	<u>201,346</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(68,082)</u>	<u>(321)</u>	<u>(14,645)</u>	<u>-</u>	<u>-</u>	<u>(5,574)</u>	<u>(6,215)</u>	<u>3</u>
Cash and investments - ending	<u>\$ 264,655</u>	<u>\$ 45</u>	<u>\$ 29</u>	<u>\$ 28</u>	<u>\$ 1,241</u>	<u>\$ (29,730)</u>	<u>\$ 2,624</u>	<u>\$ 2,931</u>

TOWN OF DUGGER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	BONY WW BOND & INTEREST	BONY WW DEBT SERV RES	WATER UTILITY OPERATING	WATER UTL DEPRECIATION	WATER UTL METER DEPOSIT	BONY WAT BOND & INTEREST	Totals
Cash and investments - beginning	\$ 6,584	\$ 4,518	\$ 2,516	\$ 22,649	\$ 30,299	\$ -	\$ 469,731
Receipts:							
Taxes	-	-	-	-	-	-	96,898
Licenses and permits	-	-	-	-	-	-	320
Intergovernmental	-	-	-	-	-	-	113,216
Charges for services	-	-	-	-	-	-	17,526
Fines and forfeits	-	-	-	-	-	-	3
Utility fees	-	-	326,828	-	1,650	-	517,574
Penalties	-	-	2,832	-	-	-	8,848
Other receipts	31,397	2,761	10,000	-	-	12,469	428,392
Total receipts	31,397	2,761	339,660	-	1,650	12,469	1,182,777
Disbursements:							
Personal services	-	-	-	-	-	-	405,922
Supplies	-	-	-	-	-	-	21,566
Other services and charges	-	-	-	-	-	-	70,910
Debt service - principal and interest	37,588	-	-	-	-	9,359	46,947
Capital outlay	-	-	-	-	-	-	11,376
Utility operating expenses	-	-	310,784	-	-	-	467,331
Other disbursements	-	-	31,117	10,000	4,000	-	233,425
Total disbursements	37,588	-	341,901	10,000	4,000	9,359	1,257,477
Excess (deficiency) of receipts over disbursements	(6,191)	2,761	(2,241)	(10,000)	(2,350)	3,110	(74,700)
Cash and investments - ending	\$ 393	\$ 7,279	\$ 275	\$ 12,649	\$ 27,949	\$ 3,110	\$ 395,031

TOWN OF DUGGER
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Wastewater:			
Revenue bonds	Sewage Works Revenue Bonds of 2009 - Series A	\$ 188,200	\$ 2,701
Revenue bonds	Sewage Works Revenue Bonds of 2009 - Series B	77,000	1,325
Revenue bonds	Sewage Works ARRA Forgiveable BAN of 2009	<u>283,800</u>	<u>-</u>
Total Wastewater		<u>549,000</u>	<u>4,026</u>
Water:			
Revenue bonds	Water Revenue Bonds of 1996	<u>47,250</u>	<u>8,560</u>
Totals		<u>\$ 596,250</u>	<u>\$ 12,586</u>

TOWN OF DUGGER
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were presented with adjustments that have existed for an extended period, some as far back as 2008, which should have cleared by year-end.

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONFLICT OF INTEREST

Carolyn Pirtle, the spouse of Bill Pirtle, is employed by the Town of Dugger as the Cemetery Custodian, as she was during 2010 and 2011. Bill Pirtle was President of the Town Council in 2010 and 2011. A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed.

Prior to its amendment in the 2011 legislative session, Indiana Code 35-44-1-3 (which was repealed during the 2012 legislative session) stated in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony. . . .

(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant. . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6).

(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase. . . .

(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant. . . .

TOWN OF DUGGER
AUDIT RESULTS AND COMMENTS
(Continued)

(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-9-2-2) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

ORDINANCES AND RESOLUTIONS

The Town of Dugger has an ordinance concerning Water Utility delinquencies. However, the Town did not disconnect service in accordance with the ordinance.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BOND

The official bond for the Clerk-Treasurer, Michelle Riggleman, does not specify an effective term of coverage. The bond states a commencement date of October 22, 2008, with no ending date.

Indiana Code 5-4-1-18 (k) states in part: "Unless the bond or policy is canceled, the bond or policy must continue in force for the term of office of the individual who files the bond or policy."

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger at December 31, 2010 and December 31, 2011.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

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

Fund	Years	Excess Amount Expended
General	2010	\$ 73,832
Motor Vehicle Highway	2010	854
General	2011	21,020

TOWN OF DUGGER
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

ANNUAL REPORT

The Town filed their 2011 annual report with the State Board of Accounts on April 10, 2012, which is not within 60 days after the close of the fiscal year as required by law.

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."

PRESCRIBED FORMS

The following prescribed or approved forms were not in use:

Form 211 - Capital Asset Record
Form 350 - Register of Investments

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CREDIT CARDS

The Town of Dugger is using credit cards to purchase items without an approved credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.

TOWN OF DUGGER
AUDIT RESULTS AND COMMENTS
(Continued)

5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OVERDRAWN FUND BALANCES

The Payroll Fund was overdrawn in the amount of \$24,156 and \$29,730 as of December 31, 2010 and 2011, respectively.

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

CAPITAL ASSET RECORDS

The Town did not present capital asset records for examination for the Town or the Utilities.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of employees was not certified to the County Treasurer by the due dates for 2010 and 2011.

Indiana Code 6-1.1-22-14(a) states in part:

"On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 its major federal program for the years ended December 31, 2010 and 2011. 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, 2010 and 2011.

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 THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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, 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 26, 2012

(This page intentionally left blank.)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the Town. The schedule and note are presented as intended by the Town.

TOWN OF DUGGER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2010 and 2011

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 12-31-10	Total Federal Awards Expended 12-31-11
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office of Community and Rural Affairs				
CDBG-State Administered CDBG Cluster				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Disaster Recovery Planning Grant	14.228		\$ 248,731	\$ -
			<u>-</u>	<u>18,000</u>
Total for cluster			<u>248,731</u>	<u>18,000</u>
Total for federal grantor agency			<u>248,731</u>	<u>18,000</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-Through Indiana Finance Authority				
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458		<u>315,350</u>	<u>-</u>
Total for federal grantor agency			<u>315,350</u>	<u>-</u>
Total federal awards expended			<u>\$ 564,081</u>	<u>\$ 18,000</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 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 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 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
Significant deficiency identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency 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 Program:

CFDA Number	Name of Federal Program or Cluster
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds

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 July 26, 2012, with Michelle Riggleman, Clerk-Treasurer. The official concurred with our audit findings.