

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF DANA
VERMILLION COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
09/10/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Toni Gilbert	01-01-08 to 12-31-14
President of the Town Council	Thomas L. Gilbert John Davern Lewis Peery	01-01-11 to 12-31-11 01-01-12 to 07-08-13 07-09-13 to 12-31-13
Superintendent of Water Utility	Jason Vandivier	01-01-11 to 12-31-13



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Dana (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statement in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the Town prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 12, 2013, 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* in considering the Town's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. 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 statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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



Bruce Hartman
State Examiner

August 12, 2013



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, 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, the financial statement of the Town of Dana (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated August 12, 2013, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 statement 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 item 2012-1 to be a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statement is 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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1.

Town of Dana's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Hartman
State Examiner

August 12, 2013

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FINANCIAL STATEMENT

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

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TOWN OF DANA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Years Ended December 31, 2011 And 2012

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 109,140	\$ 87,324	\$ 115,584	\$ 80,880	\$ 92,057	\$ 120,866	\$ 52,071
Motor Vehicle Highway	15,408	43,088	42,306	16,190	42,565	30,957	27,798
LRS	19,063	3,008	8,198	13,873	3,009	6,161	10,721
Riverboat	7,458	5,867	3,182	10,143	4,917	2,506	12,554
Parks	5,354	1,347	170	6,531	1,116	1,068	6,579
Rainy Day	2,013	-	875	1,138	-	-	1,138
Levy Excess	565	-	565	-	-	-	-
Town Marshall	190	107	-	297	-	-	297
CCI	20,290	1,901	-	22,191	1,613	7,000	16,804
CEDIT	10,404	2,896	-	13,300	3,183	-	16,483
Firearms	1,715	200	-	1,915	160	-	2,075
Debt Reserve	-	1,000	-	1,000	18,886	-	19,886
Permits Fees	-	5,140	4,120	1,020	300	1,120	200
Depreciation	-	1,600	-	1,600	18,500	-	20,100
Wastewater Utility Improvement	165,267	1,718	166,985	-	-	-	-
Wastewater Utility - Operating	1,780	717,064	715,815	3,029	214,299	205,418	11,910
Wastewater Utility - Bond And Interest	7,909	36,650	29,595	14,964	90,384	48,243	57,105
Wastewater Utility - Construction	150,522	4,635,617	4,777,402	8,737	431,469	440,206	-
Water Utility - Operating	12,111	128,098	135,229	4,980	150,217	136,223	18,974
Water Utility - Bond And Interest	19,384	16,400	16,274	19,510	9,855	17,477	11,888
Water Utility - Depreciation/Improve	13,003	33	-	13,036	10,510	21,000	2,546
Water Utility - Customer Deposit	3,425	1,516	522	4,419	1,440	575	5,284
Meter Fund	1,772	4,102	104	5,770	-	5,770	-
Water Utility - Debt Reserve	18,349	46	1	18,394	36	-	18,430
Interim Rates	5,588	73,033	65,660	12,961	174,980	197,830	(9,889)
Totals	<u>\$ 590,710</u>	<u>\$ 5,767,755</u>	<u>\$ 6,082,587</u>	<u>\$ 275,878</u>	<u>\$ 1,269,496</u>	<u>\$ 1,242,420</u>	<u>\$ 302,954</u>

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

TOWN OF DANA
NOTES TO FINANCIAL STATEMENT

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, general administrative services, water and wastewater.

The accompanying financial statement presents the financial information for the Town.

B. Basis of Accounting

The financial statement is 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 statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, 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 state,

TOWN OF DANA
NOTES TO FINANCIAL STATEMENT
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

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

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

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

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.

TOWN OF DANA
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

TOWN OF DANA
NOTES TO FINANCIAL STATEMENT
(Continued)

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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Cash Balance Deficit

The financial statement contains a fund with a deficit in cash. This is a result of the Interim Rates Fund transferring too much to the Wastewater Utility - Operating Fund.

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SUPPLEMENTARY INFORMATION – UNAUDITED

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

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Reports of the Town which is 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 DANA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	LRS	Riverboat	Parks	Rainy Day	Levy Excess
Cash and investments - beginning	\$ 109,140	\$ 15,408	\$ 19,063	\$ 7,458	\$ 5,354	\$ 2,013	\$ 565
Receipts:							
Taxes	31,784	20,660	-	-	1,347	-	-
Licenses and permits	4	-	-	-	-	-	-
Intergovernmental	35,593	22,410	3,008	4,143	-	-	-
Charges for services	2,366	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	17,577	18	-	1,724	-	-	-
Total receipts	<u>87,324</u>	<u>43,088</u>	<u>3,008</u>	<u>5,867</u>	<u>1,347</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	29,542	24,629	-	-	-	-	-
Supplies	1,164	3,993	-	1,867	-	-	-
Other services and charges	49,960	167	8,198	1,315	170	-	-
Capital outlay	-	6,983	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	34,918	6,534	-	-	-	875	565
Total disbursements	<u>115,584</u>	<u>42,306</u>	<u>8,198</u>	<u>3,182</u>	<u>170</u>	<u>875</u>	<u>565</u>
Excess (deficiency) of receipts over disbursements	<u>(28,260)</u>	<u>782</u>	<u>(5,190)</u>	<u>2,685</u>	<u>1,177</u>	<u>(875)</u>	<u>(565)</u>
Cash and investments - ending	<u>\$ 80,880</u>	<u>\$ 16,190</u>	<u>\$ 13,873</u>	<u>\$ 10,143</u>	<u>\$ 6,531</u>	<u>\$ 1,138</u>	<u>\$ -</u>

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

	Town Marshall	CCI	CEDIT	Firearms	Debt Reserve	Permits Fees	Depreciation
Cash and investments - beginning	\$ 190	\$ 20,290	\$ 10,404	\$ 1,715	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	100	-	-	200	-	-	-
Intergovernmental	-	1,901	2,896	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	7	-	-	-	-	-	-
Utility fees	-	-	-	-	1,000	-	1,600
Other receipts	-	-	-	-	-	5,140	-
Total receipts	<u>107</u>	<u>1,901</u>	<u>2,896</u>	<u>200</u>	<u>1,000</u>	<u>5,140</u>	<u>1,600</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	4,120	-
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,120</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>107</u>	<u>1,901</u>	<u>2,896</u>	<u>200</u>	<u>1,000</u>	<u>1,020</u>	<u>1,600</u>
Cash and investments - ending	<u>\$ 297</u>	<u>\$ 22,191</u>	<u>\$ 13,300</u>	<u>\$ 1,915</u>	<u>\$ 1,000</u>	<u>\$ 1,020</u>	<u>\$ 1,600</u>

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

	Wastewater Utility Improvement	Wastewater Utility - Operating	Wastewater Utility - Bond And Interest	Wastewater Utility - Construction	Water Utility - Operating	Water Utility - Bond And Interest
Cash and investments - beginning	\$ 165,267	\$ 1,780	\$ 7,909	\$ 150,522	\$ 12,111	\$ 19,384
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	696,759	-	4,635,617	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	20,305	36,650	-	128,098	-
Other receipts	1,718	-	-	-	-	16,400
Total receipts	<u>1,718</u>	<u>717,064</u>	<u>36,650</u>	<u>4,635,617</u>	<u>128,098</u>	<u>16,400</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	4,777,402	2,538	-
Utility operating expenses	-	19,056	-	-	105,490	-
Other disbursements	166,985	696,759	29,595	-	27,201	16,274
Total disbursements	<u>166,985</u>	<u>715,815</u>	<u>29,595</u>	<u>4,777,402</u>	<u>135,229</u>	<u>16,274</u>
Excess (deficiency) of receipts over disbursements	<u>(165,267)</u>	<u>1,249</u>	<u>7,055</u>	<u>(141,785)</u>	<u>(7,131)</u>	<u>126</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 3,029</u>	<u>\$ 14,964</u>	<u>\$ 8,737</u>	<u>\$ 4,980</u>	<u>\$ 19,510</u>

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

	Water Utility - Depreciation/Improve	Water Utility - Customer Deposit	Meter Fund	Water Utility - Debt Reserve	Interim Rates	Totals
Cash and investments - beginning	\$ 13,003	\$ 3,425	\$ 1,772	\$ 18,349	\$ 5,588	\$ 590,710
Receipts:						
Taxes	-	-	-	-	-	53,791
Licenses and permits	-	-	-	-	-	304
Intergovernmental	-	-	-	-	-	5,402,327
Charges for services	-	-	-	-	-	2,366
Fines and forfeits	-	-	-	-	-	7
Utility fees	-	-	4,102	-	73,033	264,788
Other receipts	33	1,516	-	46	-	44,172
Total receipts	33	1,516	4,102	46	73,033	5,767,755
Disbursements:						
Personal services	-	-	-	-	-	54,171
Supplies	-	-	-	-	-	7,024
Other services and charges	-	-	-	-	-	59,810
Capital outlay	-	-	-	-	-	4,786,923
Utility operating expenses	-	-	104	-	-	124,650
Other disbursements	-	522	-	1	65,660	1,050,009
Total disbursements	-	522	104	1	65,660	6,082,587
Excess (deficiency) of receipts over disbursements	33	994	3,998	45	7,373	(314,832)
Cash and investments - ending	\$ 13,036	\$ 4,419	\$ 5,770	\$ 18,394	\$ 12,961	\$ 275,878

TOWN OF DANA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	General	Motor Vehicle Highway	LRS	Riverboat	Parks	Rainy Day	Levy Excess
Cash and investments - beginning	\$ 80,880	\$ 16,190	\$ 13,873	\$ 10,143	\$ 6,531	\$ 1,138	\$ -
Receipts:							
Taxes	63,695	10,980	3,009	3,602	1,001	-	-
Licenses and permits	8	-	-	-	-	-	-
Intergovernmental	9,782	31,585	-	-	115	-	-
Charges for services	900	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	17,672	-	-	1,315	-	-	-
Total receipts	<u>92,057</u>	<u>42,565</u>	<u>3,009</u>	<u>4,917</u>	<u>1,116</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	68,970	19,997	-	-	-	-	-
Supplies	2,101	3,593	-	2,388	-	-	-
Other services and charges	43,579	-	6,161	118	143	-	-
Capital outlay	2,066	7,367	-	-	925	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	4,150	-	-	-	-	-	-
Total disbursements	<u>120,866</u>	<u>30,957</u>	<u>6,161</u>	<u>2,506</u>	<u>1,068</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(28,809)</u>	<u>11,608</u>	<u>(3,152)</u>	<u>2,411</u>	<u>48</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 52,071</u>	<u>\$ 27,798</u>	<u>\$ 10,721</u>	<u>\$ 12,554</u>	<u>\$ 6,579</u>	<u>\$ 1,138</u>	<u>\$ -</u>

TOWN OF DANA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Town Marshall	CCI	CEDIT	Firearms	Debt Reserve	Permits Fees	Depreciation
Cash and investments - beginning	\$ 297	\$ 22,191	\$ 13,300	\$ 1,915	\$ 1,000	\$ 1,020	\$ 1,600
Receipts:							
Taxes	-	1,613	-	-	-	-	-
Licenses and permits	-	-	-	160	-	-	-
Intergovernmental	-	-	3,183	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	300	-
Other receipts	-	-	-	-	18,886	-	18,500
Total receipts	-	1,613	3,183	160	18,886	300	18,500
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	3,500	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	1,120	-
Other disbursements	-	3,500	-	-	-	-	-
Total disbursements	-	7,000	-	-	-	1,120	-
Excess (deficiency) of receipts over disbursements	-	(5,387)	3,183	160	18,886	(820)	18,500
Cash and investments - ending	<u>\$ 297</u>	<u>\$ 16,804</u>	<u>\$ 16,483</u>	<u>\$ 2,075</u>	<u>\$ 19,886</u>	<u>\$ 200</u>	<u>\$ 20,100</u>

TOWN OF DANA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Wastewater Utility Improvement	Wastewater Utility - Operating	Wastewater Utility - Bond And Interest	Wastewater Utility - Construction	Water Utility - Operating	Water Utility - Bond And Interest
Cash and investments - beginning	\$ -	\$ 3,029	\$ 14,964	\$ 8,737	\$ 4,980	\$ 19,510
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Utility fees	-	214,299	-	-	150,217	-
Other receipts	-	-	90,384	431,469	-	9,855
Total receipts	-	214,299	90,384	431,469	150,217	9,855
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	440,206	-	-
Utility operating expenses	-	63,731	-	-	120,348	-
Other disbursements	-	141,687	48,243	-	15,875	17,477
Total disbursements	-	205,418	48,243	440,206	136,223	17,477
Excess (deficiency) of receipts over disbursements	-	8,881	42,141	(8,737)	13,994	(7,622)
Cash and investments - ending	\$ -	\$ 11,910	\$ 57,105	\$ -	\$ 18,974	\$ 11,888

TOWN OF DANA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Water Utility - Depreciation/Improve	Water Utility - Customer Deposit	Meter Fund	Water Utility - Debt Reserve	Interim Rates	Totals
Cash and investments - beginning	\$ 13,036	\$ 4,419	\$ 5,770	\$ 18,394	\$ 12,961	\$ 275,878
Receipts:						
Taxes	-	-	-	-	-	83,900
Licenses and permits	-	-	-	-	-	168
Intergovernmental	-	-	-	-	-	44,665
Charges for services	-	-	-	-	-	900
Utility fees	-	-	-	-	-	364,816
Other receipts	10,510	1,440	-	36	174,980	775,047
Total receipts	10,510	1,440	-	36	174,980	1,269,496
Disbursements:						
Personal services	-	-	-	-	-	88,967
Supplies	-	-	-	-	-	8,082
Other services and charges	-	-	-	-	-	50,001
Capital outlay	-	-	-	-	-	454,064
Utility operating expenses	21,000	-	5,770	-	-	211,969
Other disbursements	-	575	-	-	197,830	429,337
Total disbursements	21,000	575	5,770	-	197,830	1,242,420
Excess (deficiency) of receipts over disbursements	(10,490)	865	(5,770)	36	(22,850)	27,076
Cash and investments - ending	\$ 2,546	\$ 5,284	\$ -	\$ 18,430	\$ (9,889)	\$ 302,954

TOWN OF DANA
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 6,659	\$ -
Wastewater	2,490	7,120
Water	1,906	24,375
Totals	\$ 11,055	\$ 31,495

TOWN OF DANA
 SCHEDULE OF LEASES AND DEBT
 December 31, 2012

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Wastewater:			
Revenue bonds	Wastewater Utility	\$ 2,030,000	\$ 57,714
Water:			
Revenue bonds	Water Utility	57,000	16,520
Totals		<u>\$ 2,087,000</u>	<u>\$ 74,234</u>

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TOWN OF DANA
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 61,000
Infrastructure	300,000
Buildings	60,000
Machinery, equipment, and vehicles	39,300
Total governmental activities	460,300
Wastewater:	
Land	33,000
Infrastructure	263,047
Buildings	33,000
Improvements other than buildings	1,088,800
Machinery, equipment, and vehicles	4,243,547
Total Wastewater	5,661,394
Water:	
Land	10,000
Buildings	30,000
Machinery, equipment, and vehicles	279,400
Total Water	319,400
Total capital assets	\$ 6,441,094

TOWN OF DANA
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCE

The financial statement presented in this report included the following fund with an overdrawn cash balance at December 31, 2012:

<u>Fund</u>	<u>Amount Overdrawn</u>
Wastewater Interim Rates Fund	<u>\$ 9,889</u>

The 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)

UTILITY RECEIPTS TAX

The Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue during the audit period.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to Indiana Code 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES

The Town does not have a policy allowing the Clerk-Treasurer to pay credit card purchases in advance of Board approval. This resulted in \$7.61 in interest being paid on the Wal-Mart purchases during the period on January 1, 2011 to December 31, 2012.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

TOWN OF DANA
AUDIT RESULTS AND COMMENTS
(Continued)

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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 the achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts (utility billings and collections), disbursements, payroll and related liabilities, and cash and investment balances. 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 statement and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place 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)

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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
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Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Dana's (Town) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of January 1, 2011 to December 31, 2012. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of January 1, 2011 to December 31, 2012.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-2 and 2012-3 to be material weaknesses.

The Town's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Bruce Hartman
State Examiner

August 12, 2013

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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.

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TOWN OF DANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2011 and 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-11	Total Federal Awards Expended 12-31-12
<u>Department of Agriculture</u>					
Water and Waste Program Cluster					
ARRA - Water and Waste Disposal Systems for Rural Communities	Direct grant				
Wastewater Construction		10.781	IN-705-92-03	\$ 3,934,293	\$ 293,110
Total - Water and Waste Program Cluster				<u>3,934,293</u>	<u>293,110</u>
Total - Department of Agriculture				<u>3,934,293</u>	<u>293,110</u>
<u>Department of Housing and Urban Development</u>					
CDBG - State-Administered CDBG Cluster					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs				
Wastewater Construction		14.228	DR2-09-038	696,759	138,239
Total - CDBG - State-Administered CDBG Cluster				<u>696,759</u>	<u>138,239</u>
Total - Department of Housing and Urban Development				<u>696,759</u>	<u>138,239</u>
Total federal awards expended				<u>\$ 4,631,052</u>	<u>\$ 431,349</u>

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

TOWN OF DANA
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 Dana and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. 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 DANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.781	ARRA - Water and Waste Disposal Systems for Rural Communities
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

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 2012-1 - 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

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

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 statement and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place 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.
4. **Controls over the Schedule of Expenditures of Federal Awards (SEFA):** The Town did not have a proper system of internal control in place to prevent or detect and correct errors on the SEFA. The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors:

1. The Schedule did not list both Federal agencies making awards to the Town. The total Federal awards expended for each individual program was not listed with the correct CFDA number and the correct award name as listed in the Catalog of Federal Domestic Awards.
2. The expenditures were grossly overstated when the Town included three extra zeros in the values submitted as expenditures on the Annual Report.

Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statements.

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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310 (b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-2 - INTERNAL CONTROL OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE WATER AND WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES PROGRAM

Federal Agency: U.S. Department of Agriculture

Federal Program: ARRA - Water and Waste Disposal Systems for Rural Communities

CFDA Number: 10.781

Federal Award Number and Year (or Other Identifying Number): IN-705-92-03

Pass-Through Entity: Direct Award

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

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements; Allowable Activities/Allowable Costs, Cash Management, Davis Bacon, Matching, Level of Effort, Earmarking, Period of Availability, Procurement, Suspension and Debarment, Reporting, and Special Tests and Provisions. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Town.

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

FINDING 2012-3 - INTERNAL CONTROL OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII PROGRAM

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program: Community Development Block Grants/State's

Program and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): DR2-09-038

Pass-Through Entity: Indiana Office of Community and Rural Affairs

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements; Allowable

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

Activities/Allowable Costs, Cash Management, Davis Bacon, Matching, Level of Effort, Earmarking, Period of Availability, Procurement, Suspension and Debarment, Reporting, and Special Tests and Provisions. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Town.

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

**TOWN OF DANA
140 MAPLE STREET
DANA, INDIANA 47847
765-665-3617**

CORRECTIVE ACTION PLAN

SECTION II – FINANCIAL STATEMENT FINDING

FINDING 2012-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING *Preparing Financial Statements:*

- I the clerk –treasurer will provide each Board member a copy of the Annual Report and submitted Schedule of Expenditures Federal Awards as soon as it's submitted. They will review reports individually, initial off and return copy back to me at the February meeting to place on file. I will unsubmit and correct anything that needs correcting.
2. The Town Council President will come to the office to review the reconcilements prior to each Board meeting. He will then certify that he has done so by initially off on the schedule.
 3. All claims, not just claims register will be brought into the meeting for Council members to review. Questioned costs will be discussed and a resolution will be recorded in minutes.

Signed: Toni Gilbert
Toni Gilbert, Clerk/Treasurer

Signed: Lewis W. Peery
Lewis Peery, Town Council President

**TOWN OF DANA
140 MAPLE STREET
DANA, INDIANA 47847
765-665-3617**

CORRECTIVE ACTION PLAN

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2012-2 - INTERNAL CONTROL OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE WATER AND WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES PROGRAM

Federal Agency: U.S. Department of Agriculture
Federal Program: ARRA - Water and Waste Disposal Systems for Rural Communities
CFDA Number: 10.781
Federal Award Number and Year (or Other Identifying Number): IN-705-92-03
Pass-Through Entity: Direct Award
Auditee Contact Person: Toni Gilbert
Title of Contact Person: Clerk-Treasurer
Phone Number: 765-665-3617

The Town will take the following to mitigate the lack of segregation of duties in monitoring federal awards:

1. The Clerk-Treasurer will provide each council member with a copy of grant agreement and grant budget so they can keep track of the grant financial progression. I will make them informed at each meeting of all expenditures to date on project. Discussion of these matters will be recorded in minutes.
2. The Town Council President will be sure to review and sign all reimbursement claims and reports and Clerk –Treasurer will keep a copy of all submitted documents on file for audit.
3. The Clerk –Treasurer will provide each board member a copy of Schedule of Expenditures Federal Awards she submits to State Board of Accounts soon as it's submitted. The Council will review the schedule and initial off and return a copy to the clerk to put on file. The clerk will unsubmit and correct anything that needs correcting.

Signed: Toni Gilbert
Toni Gilbert, Clerk-Treasurer

Signed: Lewis W. Peery
Lewis Peery, Town Council President

**TOWN OF DANA
140 MAPLE STREET
DANA, INDIANA 47847
765-665-3617**

CORRECTIVE ACTION PLAN

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2012-3 - INTERNAL CONTROL OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE COMMUNITY DEVELOPMENT BLOCK GRANTS/ STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII PROGRAM

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number and Year (or Other Identifying Number): DR2-09-038
Pass-Through Entity: Indiana Office of Community and Rural Affairs
Auditee Contact Person: Toni Gilbert
Title of Contact Person: Clerk-Treasurer
Phone Number: 765-665-3617

The Town will take the following to mitigate the lack of segregation of duties in monitoring federal awards:

1. The Clerk-Treasurer will provide each council member with a copy of grant agreement and grant budget so they can keep track of grant financial progression. I will make them informed at each meeting of all expenditures to date on project. Discussion of these matters will be recorded in the minutes.
2. The Town Council President will be sure to review and sign all reimbursement claims and reports and Clerk-Treasurer will keep a copy of all submitted documents on file for audit.
3. The Clerk-Treasurer will provide each board member a copy of Schedule of Expenditures Federal Awards she submits to State Board of Accounts soon as it's submitted. The Town Council will review the schedule and initial off and return a copy to the clerk to put on file. The clerk will unsubmit and correct anything that needs correcting.

Signed: Toni Gilbert
Toni Gilbert, Clerk-Treasurer

Signed: Lewis W. Peery
Lewis Peery, Town Council President

TOWN OF DANA
EXIT CONFERENCE

The contents of this report were discussed on August 12, 2013, with Lewis Peery, President of the Town Council, and Toni Gilbert, Clerk-Treasurer. The officials concurred with our audit findings.