

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF DALE
SPENCER COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
09/19/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cynthia A. Morrison	01-01-08 to 12-31-15
President of the Town Council	Fred A. Weber Ray N. Striegel	01-01-11 to 12-31-11 01-01-12 to 12-31-12



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF DALE, SPENCER COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Dale (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 July 30, 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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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.

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, and Schedule of Leases and Debt, 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

July 30, 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 DALE, SPENCER 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 Dale (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 July 30, 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.

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. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be significant deficiencies.

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

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)

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*.

Town of Dale's Response to Findings

The Town's response to the 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 the financial statement and, accordingly, we express no opinion on it.

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

July 30, 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 DALE
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	\$ 349,125	\$ 283,079	\$ 266,105	\$ 366,099	\$ 299,040	\$ 264,942	\$ 400,197
Motor Vehicle Highway	44,339	1,042,736	36,553	1,050,522	42,748	108,276	984,994
Local Road And Street	14,686	5,521	2,901	17,306	5,900	1,354	21,852
Park Nonreverting Operating	24,067	-	-	24,067	-	-	24,067
Law Enforcement Continuing Education	3,537	2,946	2,552	3,931	2,405	2,576	3,760
Riverboat	12,486	11,073	9,558	14,001	10,555	9,980	14,576
Parks And Recreation	57,796	104,770	95,912	66,654	92,665	90,613	68,706
Rainy Day	12,356	-	8,300	4,056	-	-	4,056
Levy Excess	-	314	-	314	-	-	314
Cumulative Capital Improvement Cigarette Tax	25,777	4,503	499	29,781	4,225	7,828	26,178
Cedit Capital Projects	324,143	55,380	15,500	364,023	89,754	373,143	80,634
Storm Water Grant	-	864,591	864,591	-	51,409	51,409	-
Water Grant	-	-	-	-	27,000	27,000	-
Dale Lake Grant	-	-	-	-	1,210,399	1,209,838	561
Donation-Land	2,280	-	-	2,280	-	-	2,280
Park Donation	5,629	8,979	7,231	7,377	10,030	10,116	7,291
Park & Rec Lake Donation	1,386	-	-	1,386	-	1,386	-
Payroll	1,943	333,030	332,545	2,428	337,833	337,990	2,271
Wastewater Operating	199,935	497,343	510,444	186,834	465,576	497,266	155,144
Wastewater Bond and Interest	174,767	234,421	227,635	181,553	233,904	232,260	183,197
Wastewater Depreciation/Improvement	58,869	31,829	16,084	74,614	31,550	18,366	87,798
Wastewater Customer Deposit	11,033	3,300	2,400	11,933	2,961	2,600	12,294
Wastewater 2003 Bonds	62,334	592	-	62,926	306	-	63,232
Wastewater SRF Reserve	164,815	112	-	164,927	98	-	165,025
Water Operating	179,412	484,349	419,879	243,882	469,529	388,945	324,466
Water Bond and Interest	134,519	94,590	62,861	166,248	63,891	108,550	121,589
Water Depreciation/Improvement	24,610	5,248	-	29,858	5,126	1,477	33,507
Water Customer Deposit	11,488	3,200	2,500	12,188	3,060	2,700	12,548
Water 1978 Fmha Reserve	56,862	325	-	57,187	266	-	57,453
Water 2001 Bond Bank Reserve	73,735	307	-	74,042	264	-	74,306
Totals	\$ 2,031,929	\$ 4,072,538	\$ 2,884,050	\$ 3,220,417	\$ 3,460,494	\$ 3,748,615	\$ 2,932,296

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

TOWN OF DALE
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, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

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 may 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 DALE
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.

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 statement. The aggregate disbursements may 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.

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

TOWN OF DALE
NOTES TO FINANCIAL STATEMENT
(Continued)

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 DALE
NOTES TO FINANCIAL STATEMENT
(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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

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

	General	Motor Vehicle Highway	Local Road And Street	Park Nonreverting Operating	Law Enforcement Continuing Education	Riverboat	Parks And Recreation	Rainy Day	Levy Excess	Cumulative Capital Improvement Cigarette Tax	Credit Capital Projects
Cash and investments - beginning	\$ 349,125	\$ 44,339	\$ 14,686	\$ 24,067	\$ 3,537	\$ 12,486	\$ 57,796	\$ 12,356	\$ -	\$ 25,777	\$ 324,143
Receipts:											
Taxes	225,628	-	-	-	-	-	39,710	-	-	-	-
Licenses and permits	1,804	-	-	-	830	-	2,115	-	-	-	-
Intergovernmental	43,422	40,959	5,521	-	-	11,073	3,139	-	-	4,503	55,380
Charges for services	-	1,373	-	-	-	-	53,820	-	-	-	-
Fines and forfeits	1,034	-	-	-	66	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-	-	-
Other receipts	11,191	1,000,404	-	-	2,050	-	5,986	-	314	-	-
Total receipts	283,079	1,042,736	5,521	-	2,946	11,073	104,770	-	314	4,503	55,380
Disbursements:											
Personal services	121,470	535	-	-	-	-	46,638	-	-	-	-
Supplies	13,557	3,503	2,901	-	2,552	-	17,005	-	-	-	-
Other services and charges	130,768	32,515	-	-	-	9,558	32,269	8,300	-	499	15,500
Capital outlay	310	-	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	266,105	36,553	2,901	-	2,552	9,558	95,912	8,300	-	499	15,500
Excess (deficiency) of receipts over disbursements	16,974	1,006,183	2,620	-	394	1,515	8,858	(8,300)	314	4,004	39,880
Cash and investments - ending	\$ 366,099	\$ 1,050,522	\$ 17,306	\$ 24,067	\$ 3,931	\$ 14,001	\$ 66,654	\$ 4,056	\$ 314	\$ 29,781	\$ 364,023

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

	Storm Water Grant	Water Grant	Dale Lake Grant	Donation-Land	Park Donation	Park & Rec Lake Donation	Payroll	Wastewater Operating	Wastewater Bond and Interest	Wastewater Depreciation/ Improvement
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 2,280	\$ 5,629	\$ 1,386	\$ 1,943	\$ 199,935	\$ 174,767	\$ 58,869
Receipts:										
Taxes	-	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	468,900	-	-
Penalties	-	-	-	-	-	-	-	6,471	-	-
Other receipts	864,591	-	-	-	8,979	-	333,030	21,972	234,421	31,829
Total receipts	864,591	-	-	-	8,979	-	333,030	497,343	234,421	31,829
Disbursements:										
Personal services	-	-	-	-	-	-	332,545	-	-	-
Supplies	-	-	-	-	7,231	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	-	-
Capital outlay	864,591	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	245,624	850	16,084
Other disbursements	-	-	-	-	-	-	-	264,820	226,785	-
Total disbursements	864,591	-	-	-	7,231	-	332,545	510,444	227,635	16,084
Excess (deficiency) of receipts over disbursements	-	-	-	-	1,748	-	485	(13,101)	6,786	15,745
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 2,280	\$ 7,377	\$ 1,386	\$ 2,428	\$ 186,834	\$ 181,553	\$ 74,614

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

	Wastewater Customer Deposit	Wastewater 2003 Bonds	Wastewater SRF Reserve	Water Operating	Water Bond and Interest	Water Depreciation/ Improvement	Water Customer Deposit	Water 1978 Fmha Reserve	Water 2001 Bond Bank Reserve	Totals
Cash and investments - beginning	\$ 11,033	\$ 62,334	\$ 164,815	\$ 179,412	\$ 134,519	\$ 24,610	\$ 11,488	\$ 56,862	\$ 73,735	\$ 2,031,929
Receipts:										
Taxes	-	-	-	-	-	-	-	-	-	265,338
Licenses and permits	-	-	-	-	-	-	-	-	-	4,749
Intergovernmental	-	-	-	-	-	-	-	-	-	163,997
Charges for services	-	-	-	-	-	-	-	-	-	55,193
Fines and forfeits	-	-	-	-	-	-	-	-	-	1,100
Utility fees	-	-	-	480,266	-	-	-	-	-	949,166
Penalties	-	-	-	1,501	-	-	-	-	-	7,972
Other receipts	3,300	592	112	2,582	94,590	5,248	3,200	325	307	2,625,023
Total receipts	3,300	592	112	484,349	94,590	5,248	3,200	325	307	4,072,538
Disbursements:										
Personal services	-	-	-	-	-	-	-	-	-	501,188
Supplies	-	-	-	-	-	-	-	-	-	46,749
Other services and charges	-	-	-	-	-	-	-	-	-	229,409
Capital outlay	-	-	-	-	-	-	-	-	-	864,901
Utility operating expenses	-	-	-	321,290	-	-	-	-	-	583,848
Other disbursements	2,400	-	-	98,589	62,861	-	2,500	-	-	657,955
Total disbursements	2,400	-	-	419,879	62,861	-	2,500	-	-	2,884,050
Excess (deficiency) of receipts over disbursements	900	592	112	64,470	31,729	5,248	700	325	307	1,188,488
Cash and investments - ending	\$ 11,933	\$ 62,926	\$ 164,927	\$ 243,882	\$ 166,248	\$ 29,858	\$ 12,188	\$ 57,187	\$ 74,042	\$ 3,220,417

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

	General	Motor Vehicle Highway	Local Road And Street	Park Nonreverting Operating	Law Enforcement Continuing Education	Riverboat	Parks And Recreation	Rainy Day	Levy Excess	Cumulative Capital Improvement Cigarette Tax	Credit Capital Projects
Cash and investments - beginning	\$ 366,099	\$ 1,050,522	\$ 17,306	\$ 24,067	\$ 3,931	\$ 14,001	\$ 66,654	\$ 4,056	\$ 314	\$ 29,781	\$ 364,023
Receipts:											
Taxes	235,409	-	-	-	-	-	40,064	-	-	-	-
Licenses and permits	1,194	-	-	-	560	-	450	-	-	-	-
Intergovernmental	52,433	40,682	5,900	-	-	9,437	3,130	-	-	4,225	66,611
Charges for services	45	1,366	-	-	221	-	40,692	-	-	-	-
Fines and forfeits	190	-	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-	-	-
Other receipts	9,769	700	-	-	1,624	1,118	8,329	-	-	-	23,143
Total receipts	299,040	42,748	5,900	-	2,405	10,555	92,665	-	-	4,225	89,754
Disbursements:											
Personal services	124,921	621	-	-	-	-	45,579	-	-	-	-
Supplies	16,564	12,736	1,354	-	1,507	9,980	13,378	-	-	-	-
Other services and charges	122,776	94,919	-	-	1,069	-	31,656	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	7,828	373,143
Utility operating expenses	-	-	-	-	-	-	-	-	-	-	-
Other disbursements	681	-	-	-	-	-	-	-	-	-	-
Total disbursements	264,942	108,276	1,354	-	2,576	9,980	90,613	-	-	7,828	373,143
Excess (deficiency) of receipts over disbursements	34,098	(65,528)	4,546	-	(171)	575	2,052	-	-	(3,603)	(283,389)
Cash and investments - ending	\$ 400,197	\$ 984,994	\$ 21,852	\$ 24,067	\$ 3,760	\$ 14,576	\$ 68,706	\$ 4,056	\$ 314	\$ 26,178	\$ 80,634

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

	Storm Water Grant	Water Grant	Dale Lake Grant	Donation-Land	Park Donation	Park & Rec Lake Donation	Payroll	Wastewater Operating	Wastewater Bond and Interest	Wastewater Depreciation/ Improvement
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 2,280	\$ 7,377	\$ 1,386	\$ 2,428	\$ 186,834	\$ 181,553	\$ 74,614
Receipts:										
Taxes	-	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	458,069	-	-
Penalties	-	-	-	-	-	-	-	6,560	-	-
Other receipts	51,409	27,000	1,210,399	-	10,030	-	337,833	947	233,904	31,550
Total receipts	51,409	27,000	1,210,399	-	10,030	-	337,833	465,576	233,904	31,550
Disbursements:										
Personal services	-	-	-	-	-	-	337,990	-	-	-
Supplies	-	-	-	-	10,116	1,386	-	-	-	-
Other services and charges	-	27,000	-	-	-	-	-	-	-	-
Capital outlay	51,409	-	1,209,838	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	232,546	850	18,366
Other disbursements	-	-	-	-	-	-	-	264,720	231,410	-
Total disbursements	51,409	27,000	1,209,838	-	10,116	1,386	337,990	497,266	232,260	18,366
Excess (deficiency) of receipts over disbursements	-	-	561	-	(86)	(1,386)	(157)	(31,690)	1,644	13,184
Cash and investments - ending	\$ -	\$ -	\$ 561	\$ 2,280	\$ 7,291	\$ -	\$ 2,271	\$ 155,144	\$ 183,197	\$ 87,798

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

	Wastewater Customer Deposit	Wastewater 2003 Bonds	Wastewater SRF Reserve	Water Operating	Water Bond and Interest	Water Depreciation/ Improvement	Water Customer Deposit	Water 1978 Fmha Reserve	Water 2001 Bond Bank Reserve	Totals
Cash and investments - beginning	\$ 11,933	\$ 62,926	\$ 164,927	\$ 243,882	\$ 166,248	\$ 29,858	\$ 12,188	\$ 57,187	\$ 74,042	\$ 3,220,417
Receipts:										
Taxes	-	-	-	-	-	-	-	-	-	275,473
Licenses and permits	-	-	-	-	-	-	-	-	-	2,204
Intergovernmental	-	-	-	-	-	-	-	-	-	182,418
Charges for services	-	-	-	-	-	-	-	-	-	42,324
Fines and forfeits	-	-	-	-	-	-	-	-	-	190
Utility fees	-	-	-	466,418	-	-	-	-	-	924,487
Penalties	-	-	-	1,301	-	-	-	-	-	7,861
Other receipts	2,961	306	98	1,810	63,891	5,126	3,060	266	264	2,025,537
Total receipts	2,961	306	98	469,529	63,891	5,126	3,060	266	264	3,460,494
Disbursements:										
Personal services	-	-	-	-	-	-	-	-	-	509,111
Supplies	-	-	-	-	-	-	-	-	-	67,021
Other services and charges	-	-	-	-	-	-	-	-	-	277,420
Capital outlay	-	-	-	-	-	-	-	-	-	1,642,218
Utility operating expenses	-	-	-	320,353	-	1,477	-	-	-	573,592
Other disbursements	2,600	-	-	68,592	108,550	-	2,700	-	-	679,253
Total disbursements	2,600	-	-	388,945	108,550	1,477	2,700	-	-	3,748,615
Excess (deficiency) of receipts over disbursements	361	306	98	80,584	(44,659)	3,649	360	266	264	(288,121)
Cash and investments - ending	\$ 12,294	\$ 63,232	\$ 165,025	\$ 324,466	\$ 121,589	\$ 33,507	\$ 12,548	\$ 57,453	\$ 74,306	\$ 2,932,296

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

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Wastewater	\$ 7,613	\$ 42,245
Water	3,893	33,568
Governmental activities	<u>172,671</u>	<u>165,312</u>
Totals	<u>\$ 184,177</u>	<u>\$ 241,125</u>

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

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater:			
General obligation bonds	WASTEWATER BOND 2003	\$ 510,000	\$ 53,936
General obligation bonds	WASTEWATER SRF LOAN	<u>1,555,000</u>	<u>171,905</u>
Total Wastewater		<u>2,065,000</u>	<u>225,841</u>
Water:			
General obligation bonds	WATER BOND 1978	<u>323,000</u>	<u>63,150</u>
Totals		<u>\$ 2,388,000</u>	<u>\$ 288,991</u>

TOWN OF DALE
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING –
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)***

The Town did not have a proper system of internal controls in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (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 controls in place that operate effectively, material misstatements of the SEFA could remain undetected.

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)

CAPITAL ASSET RECORDS

As stated in several prior reports, adequate capital asset records were not maintained for the Town or the Utilities. The Town has not maintained comprehensive detailed records of capital assets, including additions, deletions, and balances. The Utilities do not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts. Upon purchase, the costs of the capital assets are added to an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for some of the Utility's capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Deletions or disposals of capital assets are not recorded.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. 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)

ORDINANCES AND RESOLUTIONS

The Town has an ordinance establishing a Capital Asset Policy. However, neither the Town nor the Water or Wastewater Utilities have maintained records 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)

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 FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE TOWN OF DALE, SPENCER COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Town of Dale'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 its major federal program for the period of January 1, 2011 to December 31, 2012. 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.

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 the Town's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Basis for Qualified Opinion on Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

As described in item 2012-2 in the accompanying Schedule of Findings and Questioned Costs, the Town did not comply with requirements regarding equipment and real property management that are applicable to its Community Development Block Grants/State's Program and Non-Entitlements Grants in Hawaii. Compliance with such requirements is necessary, in our opinion, for the Town to comply with requirements applicable to that program.

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

Qualified Opinion on Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, 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 the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii for the period of January 1, 2011 to December 31, 2012.

Other Matters

The Town's response to the noncompliance 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.

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 item 2012-2 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.

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

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

July 30, 2013

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 DALE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 13, 2011 and 2012

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 12-13-11	Total Federal Awards Expended 12-13-12
<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 to Hawaii				
	14.228			
Lake Dam Improvements (Disaster Recovery Fund)		DR-09-182	\$ -	\$ 1,209,838
Storm Water Drainage Grant (Disaster Recovery Fund)		DR-09-096	864,591	51,409
Water Study Planning Grant		PL-07-012	-	27,000
			864,591	1,288,247
Total for federal grantor agency				
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Indiana Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction				
	20.205			
Transportation Enhancement Town Hall to Ballparks		TE - PJT #1090060PD	4,720	5,784
			4,720	5,784
Total for federal grantor agency				
			4,720	5,784
Total federal awards expended			\$ 869,311	\$ 1,294,031

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

TOWN OF DALE
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 Dale 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 DALE
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?	no
Significant deficiencies identified?	yes
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Qualified
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 Program:

_____ Name of Federal Program or Cluster

CDBG – State-Administered Small Cities Program Cluster

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 THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Town did not have a proper system of internal controls in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (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 controls in place that operate effectively, material misstatements of the SEFA could remain undetected.

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.

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

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Section III – Federal Award Findings and Questioned Costs

**FINDING 2012-2 – EQUIPMENT AND REAL PROPERTY
MANAGEMENT – CONTROLS AND COMPLIANCE**

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: DR2-09-096 (Years 2011 and 2012), DR2-09-182 (Year 2012)

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

The Town does not maintain capital asset records or records for equipment purchased with federal funds. Without adequate records, periodic physical inventories cannot be compared to property records. During 2011 and 2012, \$2,057,438 of the Community Development Block Grant was used to pay for equipment, which should have been accounted for in the Town's capital asset records.

Management of the Town has not established an effective internal control system related to the Equipment and Real Property Management compliance requirement. The failure to establish an effective internal control system puts the Town at risk of noncompliance with the grant agreement and the applicable compliance requirement.

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.

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."

24 CFR 85.32(d) states in part:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of the property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years."

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

Failure to maintain detailed and accurate equipment and real property records and to reconcile physical inventory could result in assets being lost, stolen, misappropriated, or disposed of improperly and in violation of federal requirements. Noncompliance with the grant agreement or the applicable compliance requirements could result in the loss of federal funds to the Town.

We recommended the Town's management design and implement procedures (including internal controls) that would ensure detailed capital asset records are maintained and that inventories of property and equipment are conducted at least once every two years and reconciled to the detailed capital asset ledger. Any significant differences should be investigated and the appropriate adjustments made to the records. Also, any assets acquired with federal funds must be designated as such so that they are not disposed of improperly.

TOWN OF DALE
103 S WALLACE STREET
PO BOX 117
DALE IN 47523

July 30, 2013

Corrective Action Plan

Auditee Contact Person: Cynthia A. Morrison
Title of Contact Person: Clerk-Treasurer
Phone Number: (812) 937-2086
Expected Completion Date: December 31, 2013

Section II-Financial Statement Finding

Finding 2012-1. INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We will review our office procedures for internal control and attempt to implement, at least on a sample basis, steps to provide segregation of duties over the preparation of the Schedule of Expenditure of Federal Awards (SEFA). We are making an effort to obtain a better understanding of what information is to be reported in the Schedule of Expenditures of Federal Awards and have been in the process of implementing an excel file to capture the necessary information. We expect to have this excel file established and updated monthly by August 31, 2013. We are a small town and management has determined that the cost associated with employing additional staff necessary to properly segregate duties would outweigh the benefits of additional internal control measures. We acknowledge and assume the risks inherent with the current design of the business office.

Section III-Major Program Finding

Finding 2012-2. CDBG CLUSTER – EQUIPMENT AND REAL PROPERTY MANAGEMENT – CONTROLS AND COMPLIANCE

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 Numbers: 14.228
Pass-Through Entity: Indiana Office of Community and Rural Affairs
Award Numbers: DR2-09-096 (Years 2011 and 2012), DR2-09-182 (Year 2012)

We will review our office procedures for internal control and attempt to implement, at least on a sample basis, steps to provide segregation of duties over the establishment and maintenance of capital asset records. We passed a capital asset policy in 2005 (Ord. No. 2005-4), but have not maintained capital asset records in accordance with that ordinance. The Clerk-Treasurer's office is currently in the process of establishing capital asset records. We expect to have these records established by December 31, 2013. We are a small town and management has determined that the cost associated with employing additional staff necessary to properly segregate duties would outweigh the benefits of additional internal control measures. We acknowledge and assume the risks inherent with the current design of the business office.


Ray N. Striegel, Town Council President


Cynthia A. Morrison, Clerk-Treasurer

TOWN OF DALE
EXIT CONFERENCE

The contents of this report were discussed on July 30, 2013, with Cynthia A. Morrison, Clerk-Treasurer, and Ray N. Striegel, President of the Town Council.