

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF BAINBRIDGE  
PUTNAM COUNTY, INDIANA

January 1, 2011 to December 31, 2012



**FILED**  
06/12/2013



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jason T. Hartman	01-01-08 to 12-31-15
President of the Town Council	Richard Cope Charles McElwee	01-01-11 to 12-31-11 01-01-12 to 12-31-13
Superintendent of Utilities	Jim Nelson Troy Elless	01-01-11 to 09-30-12 10-01-12 to 12-31-13



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF BAINBRIDGE, PUTNAM COUNTY, INDIANA

***Report on the Financial Statement***

We have audited the accompanying financial statement of the Town of Bainbridge (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 April 15, 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.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***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 reports 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.

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 and Schedule of Payables and Receivables, 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

April 15, 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 BAINBRIDGE, PUTNAM 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 Bainbridge (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 April 15, 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 weakness.

***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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Town of Bainbridge'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

April 15, 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.

TOWN OF BAINBRIDGE  
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	\$ 141,419	\$ 193,214	\$ 194,151	\$ 140,482	\$ 784,628	\$ 807,313	\$ 117,797
Motor Vehicle Highway	182,295	29,980	64,098	148,177	30,056	111,756	66,477
Local Road & Street	(842)	3,585	-	2,743	3,621	1,000	5,364
Police Continuing Education	1,655	530	1,261	924	532	1,456	-
Riverboat Wagering	20,904	4,650	-	25,554	4,419	25,554	4,419
Rainy Day	5,242	10,000	-	15,242	9,028	24,270	-
Cumulative Capital Development	55,598	-	27,092	28,506	1,306	28,037	1,775
Cumulative Capital Improvement	25,700	2,134	-	27,834	1,979	-	29,813
E.D.I.T. Fund	25,530	22,583	11,196	36,917	20,986	52,341	5,562
Safe Routes To School Grant	-	-	-	-	26,900	32,100	(5,200)
Federal Withholdings	2,200	62,815	65,015	-	67,536	67,536	-
Energy Efficiency Grant	(110,744)	109,501	-	(1,243)	1,243	-	-
Criminal Justice Grant	702	-	-	702	-	702	-
Police Equipment Donation	986	-	-	986	650	1,186	450
Children's Activities	739	-	-	739	-	739	-
Payroll	3,968	257,626	256,613	4,981	286,380	290,432	929
Electric Deposit	6,850	2,550	2,000	7,400	3,200	2,700	7,900
Electric Operating	133,452	586,298	543,161	176,589	588,810	630,771	134,628
Electric Cash Reserve	6,481	-	-	6,481	93,519	-	100,000
Electric Replacement	6,092	-	-	6,092	-	6,092	-
Wastewater Deposit	3,080	1,090	790	3,380	1,440	1,370	3,450
Sewer Operating	139,345	157,422	181,019	115,748	155,978	189,599	82,127
Sewer Bond & Interest	2,618	36,387	37,671	1,334	-	1,334	-
Sewer Improvement	49,383	617	-	50,000	50,000	-	100,000
Sewer Debt Service	10,000	-	10,000	-	-	-	-
Water Deposit	2,800	1,090	740	3,150	1,480	1,340	3,290
Water Operating	184,286	551,341	643,258	92,369	638,040	675,582	54,827
Water Bond & Interest	13,854	101,146	8,790	106,210	10,012	116,222	-
Water Cash Reserve	37,463	-	33,724	3,739	-	-	3,739
Water Replacement	33,242	-	33,242	-	-	-	-
Water Debt Service	34,181	-	34,181	-	-	-	-
Gas Deposit	7,600	2,100	1,600	8,100	3,241	3,101	8,240
Gas Operating	23,708	257,494	266,452	14,750	191,067	198,743	7,074
Gas Emergency Reserve	50,000	-	-	50,000	-	10,000	40,000
<b>Totals</b>	<u>\$ 1,099,787</u>	<u>\$ 2,394,153</u>	<u>\$ 2,416,054</u>	<u>\$ 1,077,886</u>	<u>\$ 2,976,051</u>	<u>\$ 3,281,276</u>	<u>\$ 772,661</u>

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

TOWN OF BAINBRIDGE  
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 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 BAINBRIDGE  
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 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 BAINBRIDGE  
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 BAINBRIDGE  
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.

**Note 6. Pension Plan**

*Public Employees' Retirement Fund*

*Plan Description*

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

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

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

TOWN OF BAINBRIDGE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

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

**Note 7. Cash Balance Deficits**

The financial statement contains one fund with a deficit in cash. This is a result of the Safe Routes to School Grant Fund being set up as a reimbursable grant. The reimbursements for expenditures made by the Town were not received by December 31, 2012.

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

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

TOWN OF BAINBRIDGE  
 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 & Street	Police Continuing Education	Riverboat Wagering	Rainy Day	Cumulative Capital Development
Cash and investments - beginning	\$ 141,419	\$ 182,295	\$ (842)	\$ 1,655	\$ 20,904	\$ 5,242	\$ 55,598
Receipts:							
Taxes	130,973	10,370	-	-	-	-	-
Licenses and permits	-	-	-	170	-	-	-
Intergovernmental	52,882	19,610	3,585	-	4,650	-	-
Charges for services	-	-	-	90	-	-	-
Fines and forfeits	-	-	-	270	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	9,359	-	-	-	-	10,000	-
Total receipts	<u>193,214</u>	<u>29,980</u>	<u>3,585</u>	<u>530</u>	<u>4,650</u>	<u>10,000</u>	<u>-</u>
Disbursements:							
Personal services	102,884	120	-	-	-	-	-
Supplies	10,918	1,344	-	359	-	-	-
Other services and charges	54,607	56,316	-	902	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	25,742	6,318	-	-	-	-	27,092
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>194,151</u>	<u>64,098</u>	<u>-</u>	<u>1,261</u>	<u>-</u>	<u>-</u>	<u>27,092</u>
Excess (deficiency) of receipts over disbursements	<u>(937)</u>	<u>(34,118)</u>	<u>3,585</u>	<u>(731)</u>	<u>4,650</u>	<u>10,000</u>	<u>(27,092)</u>
Cash and investments - ending	<u>\$ 140,482</u>	<u>\$ 148,177</u>	<u>\$ 2,743</u>	<u>\$ 924</u>	<u>\$ 25,554</u>	<u>\$ 15,242</u>	<u>\$ 28,506</u>

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

	Cumulative Capital Improvement	E.D.I.T. Fund	Safe Routes To School Grant	Federal Withholdings	Energy Efficiency Grant	Criminal Justice Grant	Police Equipment Donation
Cash and investments - beginning	\$ 25,700	\$ 25,530	\$ -	\$ 2,200	\$ (110,744)	\$ 702	\$ 986
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	2,134	22,583	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	62,815	109,501	-	-
Total receipts	<u>2,134</u>	<u>22,583</u>	<u>-</u>	<u>62,815</u>	<u>109,501</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	5,598	-	-	-	-	-
Capital outlay	-	5,598	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	65,015	-	-	-
Total disbursements	<u>-</u>	<u>11,196</u>	<u>-</u>	<u>65,015</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>2,134</u>	<u>11,387</u>	<u>-</u>	<u>(2,200)</u>	<u>109,501</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 27,834</u>	<u>\$ 36,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,243)</u>	<u>\$ 702</u>	<u>\$ 986</u>

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

	Children's Activities	Payroll	Electric Deposit	Electric Operating	Electric Cash Reserve	Electric Replacement	Wastewater Deposit
Cash and investments - beginning	\$ 739	\$ 3,968	\$ 6,850	\$ 133,452	\$ 6,481	\$ 6,092	\$ 3,080
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	542,900	-	-	-
Penalties	-	-	-	9,269	-	-	-
Other receipts	-	257,626	2,550	34,129	-	-	1,090
Total receipts	-	257,626	2,550	586,298	-	-	1,090
Disbursements:							
Personal services	-	214,693	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	543,161	-	-	-
Other disbursements	-	41,920	2,000	-	-	-	790
Total disbursements	-	256,613	2,000	543,161	-	-	790
Excess (deficiency) of receipts over disbursements	-	1,013	550	43,137	-	-	300
Cash and investments - ending	\$ 739	\$ 4,981	\$ 7,400	\$ 176,589	\$ 6,481	\$ 6,092	\$ 3,380

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

	Sewer Operating	Sewer Bond & Interest	Sewer Improvement	Sewer Debt Service	Water Deposit	Water Operating	Water Bond & Interest
Cash and investments - beginning	\$ 139,345	\$ 2,618	\$ 49,383	\$ 10,000	\$ 2,800	\$ 184,286	\$ 13,854
Receipts:							
Taxes	-	-	-	-	-	402,492	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	152,339	-	-	-	-	133,333	-
Penalties	2,444	-	-	-	-	2,130	-
Other receipts	2,639	36,387	617	-	1,090	13,386	101,146
Total receipts	<u>157,422</u>	<u>36,387</u>	<u>617</u>	<u>-</u>	<u>1,090</u>	<u>551,341</u>	<u>101,146</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	43,660	-	-	-	-	432,566	-
Utility operating expenses	110,355	-	-	-	-	200,844	-
Other disbursements	27,004	37,671	-	10,000	740	9,848	8,790
Total disbursements	<u>181,019</u>	<u>37,671</u>	<u>-</u>	<u>10,000</u>	<u>740</u>	<u>643,258</u>	<u>8,790</u>
Excess (deficiency) of receipts over disbursements	<u>(23,597)</u>	<u>(1,284)</u>	<u>617</u>	<u>(10,000)</u>	<u>350</u>	<u>(91,917)</u>	<u>92,356</u>
Cash and investments - ending	<u>\$ 115,748</u>	<u>\$ 1,334</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 3,150</u>	<u>\$ 92,369</u>	<u>\$ 106,210</u>

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

	Water Cash Reserve	Water Replacement	Water Debt Service	Gas Deposit	Gas Operating	Gas Emergency Reserve	Totals
Cash and investments - beginning	\$ 37,463	\$ 33,242	\$ 34,181	\$ 7,600	\$ 23,708	\$ 50,000	\$ 1,099,787
Receipts:							
Taxes	-	-	-	-	-	-	543,835
Licenses and permits	-	-	-	-	-	-	170
Intergovernmental	-	-	-	-	-	-	105,444
Charges for services	-	-	-	-	-	-	90
Fines and forfeits	-	-	-	-	-	-	270
Utility fees	-	-	-	-	237,907	-	1,066,479
Penalties	-	-	-	-	3,514	-	17,357
Other receipts	-	-	-	2,100	16,073	-	660,508
Total receipts	-	-	-	2,100	257,494	-	2,394,153
Disbursements:							
Personal services	-	-	-	-	-	-	317,697
Supplies	-	-	-	-	-	-	12,621
Other services and charges	-	-	-	-	-	-	111,825
Debt service - principal and interest	-	-	-	-	-	-	5,598
Capital outlay	-	-	-	-	8,475	-	549,451
Utility operating expenses	-	-	-	-	257,977	-	1,112,337
Other disbursements	33,724	33,242	34,181	1,600	-	-	306,525
Total disbursements	33,724	33,242	34,181	1,600	266,452	-	2,416,054
Excess (deficiency) of receipts over disbursements	(33,724)	(33,242)	(34,181)	500	(8,958)	-	(21,901)
Cash and investments - ending	\$ 3,739	\$ -	\$ -	\$ 8,100	\$ 14,750	\$ 50,000	\$ 1,077,886

TOWN OF BAINBRIDGE  
 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 & Street	Police Continuing Education	Riverboat Wagering	Rainy Day	Cumulative Capital Development
Cash and investments - beginning	\$ 140,482	\$ 148,177	\$ 2,743	\$ 924	\$ 25,554	\$ 15,242	\$ 28,506
Receipts:							
Taxes	123,320	10,768	-	-	-	-	-
Licenses and permits	-	-	-	270	-	-	-
Intergovernmental	656,202	19,288	3,621	-	4,419	-	1,306
Charges for services	3,450	-	-	40	-	-	-
Fines and forfeits	196	-	-	115	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	1,460	-	-	107	-	9,028	-
Total receipts	<u>784,628</u>	<u>30,056</u>	<u>3,621</u>	<u>532</u>	<u>4,419</u>	<u>9,028</u>	<u>1,306</u>
Disbursements:							
Personal services	104,836	-	-	-	-	-	-
Supplies	12,547	3,520	1,000	1,180	13,754	-	11,037
Other services and charges	60,304	5,000	-	276	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	620,491	101,993	-	-	11,800	24,270	17,000
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	9,135	1,243	-	-	-	-	-
Total disbursements	<u>807,313</u>	<u>111,756</u>	<u>1,000</u>	<u>1,456</u>	<u>25,554</u>	<u>24,270</u>	<u>28,037</u>
Excess (deficiency) of receipts over disbursements	<u>(22,685)</u>	<u>(81,700)</u>	<u>2,621</u>	<u>(924)</u>	<u>(21,135)</u>	<u>(15,242)</u>	<u>(26,731)</u>
Cash and investments - ending	<u>\$ 117,797</u>	<u>\$ 66,477</u>	<u>\$ 5,364</u>	<u>\$ -</u>	<u>\$ 4,419</u>	<u>\$ -</u>	<u>\$ 1,775</u>

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

	Cumulative Capital Improvement	E.D.I.T. Fund	Safe Routes To School Grant	Federal Withholdings	Energy Efficiency Grant	Criminal Justice Grant	Police Equipment Donation
Cash and investments - beginning	\$ 27,834	\$ 36,917	\$ -	\$ -	\$ (1,243)	\$ 702	\$ 986
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	1,979	20,986	26,900	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	67,536	1,243	-	650
Total receipts	<u>1,979</u>	<u>20,986</u>	<u>26,900</u>	<u>67,536</u>	<u>1,243</u>	<u>-</u>	<u>650</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	889	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	40,721	-	-	-	-	-
Capital outlay	-	10,731	32,100	-	-	702	1,186
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	67,536	-	-	-
Total disbursements	<u>-</u>	<u>52,341</u>	<u>32,100</u>	<u>67,536</u>	<u>-</u>	<u>702</u>	<u>1,186</u>
Excess (deficiency) of receipts over disbursements	<u>1,979</u>	<u>(31,355)</u>	<u>(5,200)</u>	<u>-</u>	<u>1,243</u>	<u>(702)</u>	<u>(536)</u>
Cash and investments - ending	<u>\$ 29,813</u>	<u>\$ 5,562</u>	<u>\$ (5,200)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 450</u>

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

	Children's Activities	Payroll	Electric Deposit	Electric Operating	Electric Cash Reserve	Electric Replacement	Wastewater Deposit
Cash and investments - beginning	\$ 739	\$ 4,981	\$ 7,400	\$ 176,589	\$ 6,481	\$ 6,092	\$ 3,380
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	3,200	547,279	-	-	1,440
Penalties	-	-	-	8,836	-	-	-
Other receipts	-	286,380	-	32,695	93,519	-	-
Total receipts	-	286,380	3,200	588,810	93,519	-	1,440
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	739	-	-	-	-	-	-
Utility operating expenses	-	-	-	503,974	-	-	-
Other disbursements	-	290,432	2,700	126,797	-	6,092	1,370
Total disbursements	739	290,432	2,700	630,771	-	6,092	1,370
Excess (deficiency) of receipts over disbursements	(739)	(4,052)	500	(41,961)	93,519	(6,092)	70
Cash and investments - ending	\$ -	\$ 929	\$ 7,900	\$ 134,628	\$ 100,000	\$ -	\$ 3,450

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

	Sewer Operating	Sewer Bond & Interest	Sewer Improvement	Sewer Debt Service	Water Deposit	Water Operating	Water Bond & Interest
Cash and investments - beginning	\$ 115,748	\$ 1,334	\$ 50,000	\$ -	\$ 3,150	\$ 92,369	\$ 106,210
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	493,879	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	151,754	-	-	-	1,480	138,973	-
Penalties	2,441	-	-	-	-	2,301	-
Other receipts	1,783	-	50,000	-	-	2,887	10,012
Total receipts	<u>155,978</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>1,480</u>	<u>638,040</u>	<u>10,012</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	493,879	-
Utility operating expenses	139,599	-	-	-	-	162,632	-
Other disbursements	50,000	1,334	-	-	1,340	19,071	116,222
Total disbursements	<u>189,599</u>	<u>1,334</u>	<u>-</u>	<u>-</u>	<u>1,340</u>	<u>675,582</u>	<u>116,222</u>
Excess (deficiency) of receipts over disbursements	<u>(33,621)</u>	<u>(1,334)</u>	<u>50,000</u>	<u>-</u>	<u>140</u>	<u>(37,542)</u>	<u>(106,210)</u>
Cash and investments - ending	<u>\$ 82,127</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 3,290</u>	<u>\$ 54,827</u>	<u>\$ -</u>

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

	Water Cash Reserve	Water Replacement	Water Debt Service	Gas Deposit	Gas Operating	Gas Emergency Reserve	Totals
Cash and investments - beginning	\$ 3,739	\$ -	\$ -	\$ 8,100	\$ 14,750	\$ 50,000	\$ 1,077,886
Receipts:							
Taxes	-	-	-	-	-	-	134,088
Licenses and permits	-	-	-	-	-	-	270
Intergovernmental	-	-	-	-	-	-	1,228,580
Charges for services	-	-	-	-	-	-	3,490
Fines and forfeits	-	-	-	-	140	-	451
Utility fees	-	-	-	3,241	177,791	-	1,025,158
Penalties	-	-	-	-	2,515	-	16,093
Other receipts	-	-	-	-	10,621	-	567,921
Total receipts	-	-	-	3,241	191,067	-	2,976,051
Disbursements:							
Personal services	-	-	-	-	-	-	104,836
Supplies	-	-	-	-	-	-	43,927
Other services and charges	-	-	-	-	-	-	65,580
Debt service - principal and interest	-	-	-	-	-	-	40,721
Capital outlay	-	-	-	-	2,275	-	1,317,166
Utility operating expenses	-	-	-	-	184,399	-	990,604
Other disbursements	-	-	-	3,101	12,069	10,000	718,442
Total disbursements	-	-	-	3,101	198,743	10,000	3,281,276
Excess (deficiency) of receipts over disbursements	-	-	-	140	(7,676)	(10,000)	(305,225)
Cash and investments - ending	\$ 3,739	\$ -	\$ -	\$ 8,240	\$ 7,074	\$ 40,000	\$ 772,661

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

Government or Enterprise	Accounts Payable	Accounts Receivable
Electric	\$ 29,467	\$ 10,539
Wastewater	546	5,272
Water	759	3,096
Gas	516	3,587
Governmental activities	<u>581</u>	<u>5,200</u>
Totals	<u>\$ 31,869</u>	<u>\$ 27,695</u>

TOWN OF BAINBRIDGE  
AUDIT RESULTS AND COMMENTS

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

We noted a deficiency in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness:

Lack of Segregation of Duties: Control activities should be selected and developed 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.

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)

***PENALTIES, INTEREST, AND OTHER CHARGES***

In 2010, the Indiana Department of Revenue performed an audit of the Utility receipts tax payments of the Town for the years 2005 through 2009. As a result of that audit, \$1,776 of penalties and interest was paid on May 5, 2011. The Town also paid \$256 in penalties for untimely payment of the 2010 Utility receipts tax on November 17, 2011.

On May 2, 2011, the Town paid \$80 in penalties and interest because the State and Local payroll withholding taxes for March 2011 were submitted for the wrong amount.

TOWN OF BAINBRIDGE  
AUDIT RESULTS AND COMMENTS  
(Continued)

On May 5, 2011, the Wastewater Utility paid a vendor \$40 in finance charges because a contractual payment was not made timely.

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)

***TAX DISTRIBUTION POSTINGS***

Four small errors were made while posting state and local tax distributions. The net effect was \$1,502 of the \$2,118,174 total state and local tax distributions received were posted to the wrong funds.

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)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE TOWN OF BAINBRIDGE, PUTNAM COUNTY, INDIANA

***Report on Compliance for Each Major Federal Program***

We have audited the Town of Bainbridge'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.

***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 its major federal program for the period of January 1, 2011 to December 31, 2012.

***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

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

that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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.

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

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

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

April 15, 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.

TOWN OF BAINBRIDGE  
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 Housing and Urban Development</u>					
CDBG - State-Administered CDBG Cluster					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Water Improvement	Indiana Office of Community and Rural Affairs	14.228	B11DC180001DR2-09-13	\$ 402,492	\$ 493,879
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Stormwater	Indiana Office of Community and Rural Affairs	14.228	B12DC180001CF-11-103	-	587,636
Total - CDBG - State-Administered CDBG Cluster				402,492	1,081,515
Total - Department of Housing and Urban Development				402,492	1,081,515
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning & Construction Safe Routes to School	Indiana Department of Transportation	20.205	DES#800117368500000	-	26,900
Total - Highway Planning and Construction Cluster				-	26,900
Total - Department of Transportation				-	26,900
<u>Department of Energy</u>					
State Energy Program - ARRA					
State Energy Program - ARRA	Office of the Lieutenant Governor	81.041	DE-EE-000725	109,501	-
Total - Department of Energy				109,501	-
Total federal awards expended				\$ 511,993	\$ 1,108,415

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

TOWN OF BAINBRIDGE  
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 Bainbridge (Town) 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 BAINBRIDGE  
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; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

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

Identification of Major Program:

Name of Federal Program or Cluster

CDBG - State-Administered CDBG Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
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TOWN OF BAINBRIDGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***Section II – Financial Statement Findings***

***FINDING 2012-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted a deficiency in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness:

Lack of Segregation of Duties: Control activities should be selected and developed 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.

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)



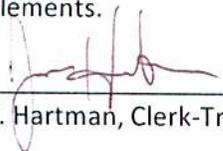
**Town of Bainbridge**  
201 North Grant Avenue  
Bainbridge, Indiana 46105

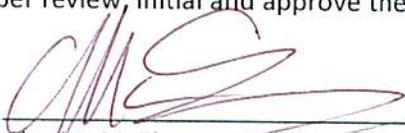
**Corrective Action Plan**

**Section II – Financial Statement Finding**

**FEDERAL FINDING 2012-1 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

In order to improve the segregation of duties, thereby strengthening internal controls, the Town of Bainbridge agrees to have a Town Council member review, initial and approve the monthly bank reconcilements.

  
\_\_\_\_\_  
Jason T. Hartman, Clerk-Treasurer

  
\_\_\_\_\_  
Charles McElwee, President, Town Council

TOWN OF BAINBRIDGE  
EXIT CONFERENCE

The contents of this report were discussed on April 15, 2013, with Charles McElwee, President of the Town Council, and Jason T. Hartman, Clerk-Treasurer. The officials concurred with our audit findings.