

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF BOURBON
MARSHALL COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
01/29/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kimberly A. Berger	01-01-08 to 12-31-15
President of the Town Council	Les McFarland	01-01-11 to 12-31-15



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF BOURBON, MARSHALL COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Bourbon (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 as listed in the Table of Contents.

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 Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2015, 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.


Paul D. Joyce, CPA
State Examiner

October 28, 2015



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 BOURBON, MARSHALL 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 Bourbon (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 October 28, 2015, 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 items 2012-001 and 2012-002 to be material weaknesses.

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)

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 provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-002.

Town of Bourbon'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.


Paul D. Joyce, CPA
State Examiner

October 28, 2015

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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 BOURBON
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	\$ 443,550	\$ 699,650	\$ 684,840	\$ 458,360	\$ 815,707	\$ 867,765	\$ 406,302
MVH (Street)	104,649	216,159	196,690	124,118	210,925	210,062	124,981
Local Road & Street	11,393	9,466	7,840	13,019	9,834	8,761	14,092
Emergency Medical Services	88,660	751	-	89,411	869	-	90,280
Law Enforcement Continuing Education	15,680	1,378	-	17,058	1,757	50	18,765
Park Operating	222	-	-	222	-	-	222
Pre-Trial Deferral	931	-	-	931	-	-	931
Rainy Day	130,661	-	-	130,661	-	-	130,661
Cumulative Capital Development	111,903	14,193	-	126,096	13,090	-	139,186
Cumulative Capital Improvement	31,278	4,856	-	36,134	4,801	-	40,935
Safe Routes to School Grant	-	18,000	27,000	(9,000)	27,000	18,000	-
OCRA Wastewater Lift Station Grant	-	536,013	536,013	-	266,987	266,987	-
OCRA Stormwater Improvement Grant	-	141,000	141,000	-	859,000	859,000	-
Fire Equipment Replacement	155,773	10,527	-	166,300	10,286	40,000	136,586
UTA Installment Promissory Note Repayment	51,462	169	-	51,631	106	-	51,737
Park Donation	3,027	-	-	3,027	-	-	3,027
Indiana Criminal Justice Institute	135	-	-	135	-	-	135
Bourbon PD Dare Program	293	1,500	88	1,705	1,185	-	2,890
Criminal Justice Operation Pull Over	20	1,993	1,989	24	2,280	1,515	789
Economic Development Commission	229	-	-	229	-	-	229
Grant Fund	38,020	25	2,500	35,545	368	16,942	18,971
Town Of Bourbon Donations	1,577	-	-	1,577	777	-	2,354
Indiana Department Storm Water Rate Study	600	-	-	600	-	-	600
CDBG Block Grant Wastewater Engineering	800	-	-	800	-	-	800
Marshall County Community Foundation	2,740	-	-	2,740	-	-	2,740
Excess Levy	1,979	-	1,979	-	3,001	-	3,001
EMS Radio Donation	13,059	-	-	13,059	-	-	13,059
EMS Training Equipment Donation	3,875	-	-	3,875	-	-	3,875
EMS Ambulance Equipment Donation	20,352	-	-	20,352	-	-	20,352
Debt Service	1,050	-	-	1,050	-	-	1,050
Payroll	2,082	523,052	523,053	2,081	530,324	530,024	2,381
Storm Water	58,200	125,839	109,400	74,639	101,765	125,047	51,357
Trash/Garbage	36,658	101,699	99,164	39,193	104,121	102,135	41,179
Wastewater Improvement	40,000	-	-	40,000	-	-	40,000
Wastewater Operating	308,754	334,089	382,534	260,309	333,482	344,742	249,049
Wastewater Bond & Interest	-	94,084	23,123	70,961	156,186	124,625	102,522
Wastewater Debt Service Reserve	95,892	48,584	18,231	126,245	-	-	126,245
Water Tank Maintenance Reserve	-	6,500	-	6,500	6,500	-	13,000
Water Operating	174,190	305,548	291,055	188,683	317,985	303,061	203,607
Water Depreciation	165,047	-	-	165,047	-	-	165,047
Water Meter Deposits	9,560	4,080	3,840	9,800	3,520	3,280	10,040
Totals	\$ 2,124,301	\$ 3,199,155	\$ 3,050,339	\$ 2,273,117	\$ 3,781,856	\$ 3,821,996	\$ 2,232,977

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

TOWN OF BOURBON
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, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, and trash.

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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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.

TOWN OF BOURBON
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

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

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

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

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.

TOWN OF BOURBON
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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

TOWN OF BOURBON
NOTES TO FINANCIAL STATEMENT
(Continued)

property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

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 a cost-sharing 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.

TOWN OF BOURBON
NOTES TO FINANCIAL STATEMENT
(Continued)

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
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

OTHER INFORMATION - UNAUDITED

The Town's Annual Financial 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 Financial Report 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 other information presented was approved by management of the Town. It is presented as intended by the Town.

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

	General	MVH (Street)	Local Road & Street	Emergency Medical Services	Law Enforcement Continuing Education	Park Operating	Pre-Trial Deferral	Rainy Day	Cumulative Capital Development
Cash and investments - beginning	\$ 443,550	\$ 104,649	\$ 11,393	\$ 88,660	\$ 15,680	\$ 222	\$ 931	\$ 130,661	\$ 111,903
Receipts:									
Taxes	608,896	152,267	-	-	-	-	-	-	12,920
Licenses and permits	1,375	-	-	-	610	-	-	-	-
Intergovernmental	55,211	60,814	9,466	-	-	-	-	-	1,273
Charges for services	9,015	-	-	239	115	-	-	-	-
Fines and forfeits	2,870	-	-	-	653	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	22,283	3,078	-	512	-	-	-	-	-
Total receipts	699,650	216,159	9,466	751	1,378	-	-	-	14,193
Disbursements:									
Personal services	388,273	107,926	-	-	-	-	-	-	-
Supplies	31,277	28,815	-	-	-	-	-	-	-
Other services and charges	253,849	59,949	7,840	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	6,441	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	5,000	-	-	-	-	-	-	-	-
Total disbursements	684,840	196,690	7,840	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	14,810	19,469	1,626	751	1,378	-	-	-	14,193
Cash and investments - ending	\$ 458,360	\$ 124,118	\$ 13,019	\$ 89,411	\$ 17,058	\$ 222	\$ 931	\$ 130,661	\$ 126,096

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

	Cumulative Capital Improvement	Safe Routes to School Grant	OCRA Wastewater Lift Station Grant	OCRA Stormwater Improvement Grant	Fire Equipment Replacement	UTA Installment Promissory Note Repayment	Park Donation	Indiana Criminal Justice Institute	Bourbon PD Dare Program
Cash and investments - beginning	\$ 31,278	\$ -	\$ -	\$ -	\$ 155,773	\$ 51,462	\$ 3,027	\$ 135	\$ 293
Receipts:									
Taxes	-	-	533,013	141,000	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	4,856	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	10,000	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	-	18,000	3,000	-	527	169	-	-	1,500
Total receipts	4,856	18,000	536,013	141,000	10,527	169	-	-	1,500
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	88
Other services and charges	-	27,000	536,013	141,000	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-	-
Total disbursements	-	27,000	536,013	141,000	-	-	-	-	88
Excess (deficiency) of receipts over disbursements	4,856	(9,000)	-	-	10,527	169	-	-	1,412
Cash and investments - ending	\$ 36,134	\$ (9,000)	\$ -	\$ -	\$ 166,300	\$ 51,631	\$ 3,027	\$ 135	\$ 1,705

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

	Criminal Justice Operation Pull Over	Economic Development Commission	Grant Fund	Town Of Bourbon Donations	Indiana Department Storm Water Rate Study	CDBG Block Grant Wastewater Engineering	Marshall County Community Foundation	Excess Levy
Cash and investments - beginning	\$ 20	\$ 229	\$ 38,020	\$ 1,577	\$ 600	\$ 800	\$ 2,740	\$ 1,979
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	25	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	1,993	-	-	-	-	-	-	-
Total receipts	1,993	-	25	-	-	-	-	-
Disbursements:								
Personal services	1,989	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	2,500	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	1,979
Total disbursements	1,989	-	2,500	-	-	-	-	1,979
Excess (deficiency) of receipts over disbursements	4	-	(2,475)	-	-	-	-	(1,979)
Cash and investments - ending	\$ 24	\$ 229	\$ 35,545	\$ 1,577	\$ 600	\$ 800	\$ 2,740	\$ -

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

	EMS Radio Donation	EMS Training Equipment Donation	EMS Ambulance Equipment Donation	Debt Service	Payroll	Storm Water	Trash/Garbage	Wastewater Improvement
Cash and investments - beginning	\$ 13,059	\$ 3,875	\$ 20,352	\$ 1,050	\$ 2,082	\$ 58,200	\$ 36,658	\$ 40,000
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	99,128	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	98,220	-	-
Penalties	-	-	-	-	-	1,841	2,571	-
Other receipts	-	-	-	-	523,052	25,778	-	-
Total receipts	-	-	-	-	523,052	125,839	101,699	-
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	99,164	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	523,053	109,400	-	-
Total disbursements	-	-	-	-	523,053	109,400	99,164	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	(1)	16,439	2,535	-
Cash and investments - ending	\$ 13,059	\$ 3,875	\$ 20,352	\$ 1,050	\$ 2,081	\$ 74,639	\$ 39,193	\$ 40,000

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

	Wastewater Operating	Wastewater Bond & Interest	Wastewater Debt Service Reserve	Water Tank Maintenance Reserve	Water Operating	Water Depreciation	Water Meter Deposits	Totals
Cash and investments - beginning	\$ 308,754	\$ -	\$ 95,892	\$ -	\$ 174,190	\$ 165,047	\$ 9,560	\$ 2,124,301
Receipts:								
Taxes	-	-	-	-	-	-	-	1,448,096
Licenses and permits	-	-	-	-	-	-	-	1,985
Intergovernmental	-	-	-	-	13,394	-	-	145,014
Charges for services	-	-	-	-	-	-	-	118,497
Fines and forfeits	-	-	-	-	-	-	-	3,548
Utility fees	304,695	-	-	-	279,945	-	4,080	686,940
Penalties	7,582	-	-	-	5,166	-	-	17,160
Other receipts	21,812	94,084	48,584	6,500	7,043	-	-	777,915
Total receipts	<u>334,089</u>	<u>94,084</u>	<u>48,584</u>	<u>6,500</u>	<u>305,548</u>	<u>-</u>	<u>4,080</u>	<u>3,199,155</u>
Disbursements:								
Personal services	119,877	-	-	-	62,834	-	-	680,899
Supplies	-	-	-	-	-	-	-	60,180
Other services and charges	23,692	-	-	-	6,137	-	-	1,157,144
Debt service - principal and interest	47,134	23,123	-	-	12,430	-	-	82,687
Capital outlay	10,765	-	-	-	85,837	-	-	103,043
Utility operating expenses	128,503	-	-	-	117,317	-	-	245,820
Other disbursements	52,563	-	18,231	-	6,500	-	3,840	720,566
Total disbursements	<u>382,534</u>	<u>23,123</u>	<u>18,231</u>	<u>-</u>	<u>291,055</u>	<u>-</u>	<u>3,840</u>	<u>3,050,339</u>
Excess (deficiency) of receipts over disbursements	<u>(48,445)</u>	<u>70,961</u>	<u>30,353</u>	<u>6,500</u>	<u>14,493</u>	<u>-</u>	<u>240</u>	<u>148,816</u>
Cash and investments - ending	<u>\$ 260,309</u>	<u>\$ 70,961</u>	<u>\$ 126,245</u>	<u>\$ 6,500</u>	<u>\$ 188,683</u>	<u>\$ 165,047</u>	<u>\$ 9,800</u>	<u>\$ 2,273,117</u>

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

	General	MVH (Street)	Local Road & Street	Emergency Medical Services	Law Enforcement Continuing Education	Park Operating	Pre-Trial Deferral	Rainy Day	Cumulative Capital Development
Cash and investments - beginning	\$ 458,360	\$ 124,118	\$ 13,019	\$ 89,411	\$ 17,058	\$ 222	\$ 931	\$ 130,661	\$ 126,096
Receipts:									
Taxes	458,020	148,006	-	-	-	-	-	-	11,814
Licenses and permits	4,715	-	-	-	1,060	-	-	-	-
Intergovernmental	266,328	62,869	9,834	-	-	-	-	-	1,276
Charges for services	9,622	-	-	630	105	-	-	-	-
Fines and forfeits	10,835	-	-	-	592	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	66,187	50	-	239	-	-	-	-	-
Total receipts	<u>815,707</u>	<u>210,925</u>	<u>9,834</u>	<u>869</u>	<u>1,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,090</u>
Disbursements:									
Personal services	395,210	110,408	-	-	-	-	-	-	-
Supplies	37,807	33,635	-	-	-	-	-	-	-
Other services and charges	314,363	25,142	-	-	50	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	92,351	25,000	8,761	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	28,034	15,877	-	-	-	-	-	-	-
Total disbursements	<u>867,765</u>	<u>210,062</u>	<u>8,761</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(52,058)</u>	<u>863</u>	<u>1,073</u>	<u>869</u>	<u>1,707</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,090</u>
Cash and investments - ending	<u>\$ 406,302</u>	<u>\$ 124,981</u>	<u>\$ 14,092</u>	<u>\$ 90,280</u>	<u>\$ 18,765</u>	<u>\$ 222</u>	<u>\$ 931</u>	<u>\$ 130,661</u>	<u>\$ 139,186</u>

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

	Cumulative Capital Improvement	Safe Routes to School Grant	OCRA Wastewater Lift Station Grant	OCRA Stormwater Improvement Grant	Fire Equipment Replacement	UTA Installment Promissory Note Repayment	Park Donation	Indiana Criminal Justice Institute	Bourbon PD Dare Program
Cash and investments - beginning	\$ 36,134	\$ (9,000)	\$ -	\$ -	\$ 166,300	\$ 51,631	\$ 3,027	\$ 135	\$ 1,705
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	4,801	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	10,000	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	-	27,000	266,987	859,000	286	106	-	-	1,185
Total receipts	4,801	27,000	266,987	859,000	10,286	106	-	-	1,185
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	18,000	266,987	859,000	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	40,000	-	-	-	-
Total disbursements	-	18,000	266,987	859,000	40,000	-	-	-	-
Excess (deficiency) of receipts over disbursements	4,801	9,000	-	-	(29,714)	106	-	-	1,185
Cash and investments - ending	\$ 40,935	\$ -	\$ -	\$ -	\$ 136,586	\$ 51,737	\$ 3,027	\$ 135	\$ 2,890

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

	Criminal Justice Operation Pull Over	Economic Development Commission	Grant Fund	Town Of Bourbon Donations	Indiana Department Storm Water Rate Study	CDBG Block Grant Wastewater Engineering	Marshall County Community Foundation	Excess Levy
Cash and investments - beginning	\$ 24	\$ 229	\$ 35,545	\$ 1,577	\$ 600	\$ 800	\$ 2,740	\$ -
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	3,001
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	2,280	-	368	777	-	-	-	-
Total receipts	2,280	-	368	777	-	-	-	3,001
Disbursements:								
Personal services	1,410	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	105	-	16,942	-	-	-	-	-
Total disbursements	1,515	-	16,942	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	765	-	(16,574)	777	-	-	-	3,001
Cash and investments - ending	\$ 789	\$ 229	\$ 18,971	\$ 2,354	\$ 600	\$ 800	\$ 2,740	\$ 3,001

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

	EMS Radio Donation	EMS Training Equipment Donation	EMS Ambulance Equipment Donation	Debt Service	Payroll	Storm Water	Trash/Garbage	Wastewater Improvement
Cash and investments - beginning	\$ 13,059	\$ 3,875	\$ 20,352	\$ 1,050	\$ 2,081	\$ 74,639	\$ 39,193	\$ 40,000
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	104,121	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	99,134	-	-
Penalties	-	-	-	-	-	1,969	-	-
Other receipts	-	-	-	-	530,324	662	-	-
Total receipts	-	-	-	-	530,324	101,765	104,121	-
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	102,135	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	530,024	125,047	-	-
Total disbursements	-	-	-	-	530,024	125,047	102,135	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	300	(23,282)	1,986	-
Cash and investments - ending	\$ 13,059	\$ 3,875	\$ 20,352	\$ 1,050	\$ 2,381	\$ 51,357	\$ 41,179	\$ 40,000

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

	Wastewater Operating	Wastewater Bond & Interest	Wastewater Debt Service Reserve	Water Tank Maintenance Reserve	Water Operating	Water Depreciation	Water Meter Deposits	Totals
Cash and investments - beginning	\$ 260,309	\$ 70,961	\$ 126,245	\$ 6,500	\$ 188,683	\$ 165,047	\$ 9,800	\$ 2,273,117
Receipts:								
Taxes	-	-	-	-	13,742	-	-	631,582
Licenses and permits	-	-	-	-	-	-	-	5,775
Intergovernmental	-	-	-	-	-	-	-	348,109
Charges for services	-	-	-	-	-	-	-	124,478
Fines and forfeits	-	-	-	-	-	-	-	11,427
Utility fees	312,890	-	-	-	289,239	-	3,520	704,783
Penalties	7,644	-	-	-	5,259	-	-	14,872
Other receipts	12,948	156,186	-	6,500	9,745	-	-	1,940,830
Total receipts	<u>333,482</u>	<u>156,186</u>	<u>-</u>	<u>6,500</u>	<u>317,985</u>	<u>-</u>	<u>3,520</u>	<u>3,781,856</u>
Disbursements:								
Personal services	105,115	-	-	-	71,494	-	-	683,637
Supplies	-	-	-	-	-	-	-	71,442
Other services and charges	6,074	-	-	-	6,556	-	-	1,598,307
Debt service - principal and interest	47,134	124,625	-	-	12,430	-	-	184,189
Capital outlay	46,997	-	-	-	41,403	-	-	214,512
Utility operating expenses	128,617	-	-	-	144,196	-	-	272,813
Other disbursements	10,805	-	-	-	26,982	-	3,280	797,096
Total disbursements	<u>344,742</u>	<u>124,625</u>	<u>-</u>	<u>-</u>	<u>303,061</u>	<u>-</u>	<u>3,280</u>	<u>3,821,996</u>
Excess (deficiency) of receipts over disbursements	<u>(11,260)</u>	<u>31,561</u>	<u>-</u>	<u>6,500</u>	<u>14,924</u>	<u>-</u>	<u>240</u>	<u>(40,140)</u>
Cash and investments - ending	<u>\$ 249,049</u>	<u>\$ 102,522</u>	<u>\$ 126,245</u>	<u>\$ 13,000</u>	<u>\$ 203,607</u>	<u>\$ 165,047</u>	<u>\$ 10,040</u>	<u>\$ 2,232,977</u>

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

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 32,234	\$ -
Wastewater	104,236	-
Water	31,985	-
Totals	\$ 168,455	\$ -

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

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Wastewater:			
Capital Lease	Vactor 2100 Series Combination Sewer Cleaner	\$ 33,295	\$ 34,703
Notes and Loans Payable	Radio Meter System and Software Updates	52,706	12,430
Revenue Bonds	2006 Sewage Works and Storm Water Improvements	<u>965,000</u>	<u>121,345</u>
Total Wastewater Utility		<u>1,051,001</u>	<u>168,478</u>
Water:			
Notes and Loans Payable	Radio Meter System and Software Updates	<u>52,706</u>	<u>12,430</u>
Totals		<u>\$ 1,103,707</u>	<u>\$ 180,908</u>

TOWN OF BOURBON
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2012

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

	Ending Balance
Governmental activities:	
Land	\$ 261,393
Infrastructure	589,057
Buildings	1,441,928
Improvements other than buildings	204,323
Machinery, equipment, and vehicles	586,488
Total governmental activities	3,083,189
Storm Water:	
Infrastructure	1,000,000
Wastewater:	
Land	158,368
Infrastructure	2,970,755
Buildings	61,100
Improvements other than buildings	1,078,701
Machinery, equipment, and vehicles	677,979
Total Wastewater	4,946,903
Water:	
Land	235,473
Infrastructure	2,025,695
Buildings	445,026
Improvements other than buildings	700,291
Machinery, equipment, and vehicles	302,724
Total Water	3,709,209
Total capital assets	\$ 12,739,301

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE TOWN OF BOURBON, MARSHALL COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Town of Bourbon'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 the 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.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-004. Our opinion on the major federal program is not modified with respect to these 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 the 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 types of requirements 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.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-003 and 2012-004 to be material weaknesses.

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

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


Paul D. Joyce, CPA
State Examiner

October 28, 2015

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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 BOURBON
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 Wastewater Lift Station Stormwater Improvement	Indiana Office of Community and Rural Affairs (OCRA)	14.228	DR2-09-141 DR2-09-184	\$ 533,013 141,000	\$ 266,987 859,000
Total - Department of Housing and Urban Development				<u>674,013</u>	<u>1,125,987</u>
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction Safe Routes to School Grant	Indiana Department of Transportation	20.205	DES #1006370	18,000	27,000
Highway Safety Cluster State and Community Highway Safety Operation Pull Over Enforcement	Indiana Department of Transportation	20.600	OP-11-02-01-12	1,948	-
Alcohol Impaired Driving Countermeasures Incentive Grants I	Marshall County	20.601	K8-2011-03-03-22 K8-2012-03-03-23	2,004 -	- 2,652
Total - Alcohol Impaired Driving Countermeasures Incentive Grants I				<u>2,004</u>	<u>2,652</u>
Safety Belt Performance Grants	Indiana Department of Transportation	20.609	OP-12-04-02-08	-	2,280
Total - Highway Safety Cluster				<u>3,952</u>	<u>4,932</u>
Total - Department of Transportation				<u>21,952</u>	<u>31,932</u>
Total federal awards expended				<u>\$ 695,965</u>	<u>\$ 1,157,919</u>

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

TOWN OF BOURBON
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 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 5-11-1-25), audits of towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF BOURBON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

Identification of Major 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
--	----

Section II - Financial Statement Findings

FINDING 2012-001 - FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the Town related to financial transactions and reporting.

1. Lack of Segregation of Duties: The Town has not separated incompatible activities related to Cash and Investments, Receipts, and Disbursements, including Payroll. The Clerk-Treasurer performs all aspects of the Cash and Investments, Receipts, Disbursements, and Payroll processes without oversight. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

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

2. **Monitoring of Controls:** An evaluation of the Town's system of internal control has not been conducted. The failure to monitor the internal control system places the Town at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the Town to monitor and assess the quality of the system of internal control.

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)

FINDING 2012-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

One individual gathers information, compiles, certifies, submits, and presents the SEFA for audit. This lack of segregation of duties and lack of oversight resulted in the following material errors on the SEFA presented for audit:

1. The Department of Transportation grants were not included.
2. CFDA numbers were not included.
3. Clusters were not properly identified.
4. Federal Grantor Agencies were not included.
5. Program names were not correct.

The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report.

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 BOURBON
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)

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

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available."

Section III - Federal Award Findings and Questioned Costs

FINDING 2012-003 - INTERNAL CONTROL OVER COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

Federal Agency: 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 Numbers: DR2-09-184 and DR2-09-141

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

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Cash Management, Davis-Bacon Act, Matching, Period of Availability of Federal Funds, Procurement and Suspension and Debarment, Reporting, and Special Tests and Provisions - Environmental Oversight and Environmental Reviews. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements mentioned. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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

The Town relied upon a Grant Administrator to ensure that the Town was in compliance with requirements that have a direct and material effect on the program. The Town did not have controls in place to properly monitor the Grant Administrator's activities in relation to these compliance requirements. There was no oversight, review, or approval process.

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 will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the Town.

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

FINDING 2012-004 - SPECIAL TEST AND PROVISIONS - CITIZEN PARTICIPATION

Federal Agency: 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: DR2-09-141
Pass-Through Entity: Indiana Office of Community and Rural Affairs (OCRA)

Internal Controls

The management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Special Tests and Provisions - Citizen Participation requirements. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

The Town has not designed or implemented adequate policies and procedures to ensure compliance with the requirements for Special Test and Provisions - Citizen Participation.

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

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 Citizen Participation compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

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

Compliance

The Town was not in compliance with the Special Tests and Provisions - Citizen Participation. The program requires the Town to hold at least two public hearings with their citizens before the submission of the application for the grant; however, the Town held only one public hearing for the Lift Station project.

CFR 24 570.486(a)(5) states in part:

"(5) Provide for a minimum of two public hearings, each at a different stage of the program, for the purpose of obtaining residents' views and responding to proposals and questions. Together the hearings must cover community development and housing needs (including affirmatively furthering fair housing), development of proposed activities, and a review of program performance. The public hearings to cover community development and housing needs must be held before submission of an application to the State. There must be reasonable notice of the hearings and they must be held at times and accessible locations convenient to potential or actual beneficiaries, with accommodations for persons with disabilities. Public hearings shall be conducted in a manner to meet the needs of non-English speaking residents where a significant number of non-English speaking residents can reasonably be expected to participate; . . ."

The failure to establish adequate internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the Town.

We recommended that the Town's management establish controls to ensure compliance and comply with the grant agreement and the Special Test and Provisions - Citizen Participation requirements of the program.

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AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the Town. The document is presented as intended by the Town.

CORRECTIVE ACTION PLAN

FINDING 2012-001

Contact Person Responsible for Corrective Action: Kimberly A. Berger, Clerk-Treasurer
Contact Phone Number: 574-342-4755

Description of Corrective Action Plan: The Town of Bourbon will work on implementing an internal control system. As Clerk-Treasurer, I basically perform all aspects of Cash, investments, receipts, disbursements and payroll processes. However, I do have a part-time Deputy Clerk-Treasurer that also performs these tasks as well. We are a small town with limited employees. The Town Council has monthly reviews of the disbursements, payrolls, cash and investment totals before the monthly council meetings. The Federal Grant was overseen by the Grant Writer and I will be more involved in the paper work if a Federal Grant is awarded in the future.

FINDING 2012-002

Contact Person Responsible for Corrective Action: Kimberly A. Berger, Clerk-Treasurer
Contact Phone Number: 574-342-4755

Description of Corrective Action Plan: The Town of Bourbon put their trust in the Grant Writer and the Engineering firms that were awarded the job to compile and submit the proper paperwork to be in compliance for this Federal Grant. The Town of Bourbon is implementing an internal control system to make sure that the inconsistencies in reporting of this Federal grant does not happen in the future. In reviewing OMB Circular A-133 Subpart C, myself, as the auditee, will be responsible for making sure that the schedule of expenditures is done correctly and overseen by myself.

FINDING 2012-003

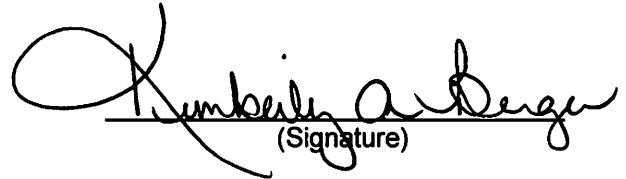
Contact Person Responsible for Corrective Action: Kimberly A. Berger, Clerk-Treasurer
Contact Phone Number: 574-342-4755

Description of Corrective Action Plan: The Town of Bourbon is working on an internal control system and segregation of duties per grant requirements and compliance. Work related to the grant will be checked by the Clerk-Treasurer and Deputy Clerk-Treasurer.

Drug-Free Workplace • Equal Opportunity Employer

KIMBERLY A. BERGER • CLERK-TREASURER • 574.342.4755 • FAX 574.342.3205
POLICE 574.342.3105 • STREET 574.342.0079 • WATER AND SEWER 574.342.0223

Anticipated Completion Date: April 30, 2016


(Signature)

Clerk-Treasurer
(Title)

October 28, 2015
(Date)

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POLICE 574.342.3105 • STREET 574.342.0079 • WATER AND SEWER 574.342.0223

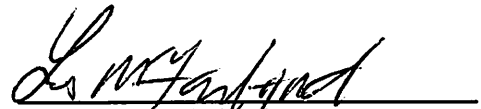
CORRECTIVE ACTION PLAN

FINDING 2012-004

Contact Person Responsible for Corrective Action: Les McFarland, Council President
Contact Phone Number: 574-342-4755

Description of Corrective Action Plan: The Town of Bourbon will work on establishing adequate internal controls to ensure compliance and comply with the grant agreement and Citizen Participation requirements of the programs that they Town receives in the future.

Anticipated Completion Date: April 30, 2015



Les McFarland
President Town Council
Wednesday, October 28, 2015

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KIMBERLY A. BERGER • CLERK-TREASURER • 574.342.4755 • FAX 574.342.3205
POLICE 574.342.3105 • STREET 574.342.0079 • WATER AND SEWER 574.342.0223

OTHER REPORTS

In addition to this report, other reports may have been issued for the Town. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.