

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT
OF
TOWN OF BROWNSBURG
HENDRICKS COUNTY, INDIANA
January 1, 2004 to December 31, 2005



FILED
7/5/06

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jeanette M. Brickler	01-01-04 to 12-31-07
President of the Town Council	William Guarnery Jeanette Barker Charles E. Ratliff	01-01-04 to 12-31-04 01-01-05 to 12-31-05 01-01-06 to 12-31-06
Superintendent of Water Utility	Kevin Servies	01-01-04 to 12-31-06
Superintendent of Wastewater Utility	Kathy Dillon	01-01-04 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF BROWNSBURG, HENDRICKS COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Brownsburg (Town), for the period of January 1, 2004 to December 31, 2005. The Town's management is responsible for the schedules. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

June 14, 2006

TOWN OF BROWNSBURG
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2004 And 2005

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 1,549,129	\$ 5,416,758	\$ 6,131,035	\$ 834,852
Fire Territory Operating	504,287	6,586,420	4,838,201	2,252,506
Motor Vehicle Highway	841,298	1,899,844	1,658,109	1,083,033
Local Road and Street	428,473	161,476	31,783	558,166
Park and Recreation	34,679	2,398	35,097	1,980
Park Nonreverting Operating	32,850	82,500	73,036	42,314
Investigation	16,942	835	687	17,090
Christmas Decorating	899	-	899	-
Unsafe Building	43,237	172	-	43,409
Criminal Investigation	3,985	11	-	3,996
Drug Enforcement/Education	14,431	2,119	6,689	9,861
Police Department Gift	230	-	230	-
Law Enforcement Continuing Education	38,970	7,542	258	46,254
Clerk's Records Perpetuation	36,822	5,749	21,911	20,660
Economic Redevelopment	1,166,919	2,228,913	1,316,459	2,079,373
Non-Budget	247,975	99,351	44,793	302,533
Insurance - Other	6,978	9,977	8,358	8,597
Fire Service Fee	2,736	64	2,083	717
1% Food and Beverage Tax	603,757	325,621	763,691	165,687
Building Department	159,531	417,125	422,323	154,333
Fire Equipment	251,313	880,914	248,226	884,001
Cumulative Capital Improvement	238,875	54,957	-	293,832
Cumulative Capital Development	608,827	259,885	119,896	748,816
Build Indiana	1,183	2	-	1,185
Police/Fire Games	82	-	-	82
CEDIT Capital Projects	2,313,016	1,955,912	2,873,077	1,395,851
Fire Grant	300	-	-	300
Fire Non-Budget	1,796	2,601	2,649	1,748
Fire Insurance Claims	13,179	27,420	31,053	9,546
Fire Gift	2,500	6,834	-	9,334
Campbells Corner	2,107	-	2,107	-
Riverboat	91,903	91,559	-	183,462
Rainy Day	-	931,436	182,495	748,941
Redevelopment Authority	125,665	753,577	569,397	309,845
Proprietary Funds:				
Water Utility - Operating	1,392,075	2,856,275	2,424,206	1,824,144
Water Utility - Depreciation	154,992	624	-	155,616
Water Utility - Bond and Interest	195,411	133,192	135,183	193,420
Water Utility - Customer Deposit	497,127	74,471	53,737	517,861
Water Utility - Construction	1,463,678	916	1,424,344	40,250
Wastewater Utility - Operating	2,213,360	2,671,707	2,662,994	2,222,073
Wastewater Utility - Bond and Interest	68,484	547,764	459,531	156,717
Wastewater Utility - Improvement	5,684	26	-	5,710
Wastewater Utility - Construction	1,159,227	1,020,286	581,387	1,598,126
Wastewater Utility - Depreciation	202,683	284,871	-	487,554
Self Insurance	91,022	1,285,121	1,324,024	52,119
Fiduciary Funds:				
Payroll	101,691	7,463,439	7,450,886	114,244
Police Officers' Pension	398,422	138,995	95,488	441,929
Two Brother	5,000	-	-	5,000
County Court	-	45,348	45,348	-
LECEF	43,838	60,285	90,090	14,033
Town Court	79,032	569,114	352,294	295,852
Totals	\$ 17,456,600	\$ 39,364,406	\$ 36,484,054	\$ 20,336,952

The accompanying notes are an integral part of the schedules.

TOWN OF BROWNSBURG
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2004 And 2005
(Continued)

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 834,852	\$ 7,354,378	\$ 6,593,023	\$ 1,596,207
Fire Territory Operating	2,252,506	6,423,060	6,019,324	2,656,242
Motor Vehicle Highway	1,083,033	1,127,045	2,000,058	210,020
Local Road and Street	558,166	180,199	364,138	374,227
Park and Recreation	1,980	7,264	-	9,244
Park Nonreverting Operating	42,314	328,840	267,536	103,618
Investigation	17,090	910	-	18,000
Unsafe Building	43,409	197	-	43,606
Criminal Investigation	3,996	9	-	4,005
Drug Enforcement/Education	9,861	38	375	9,524
Law Enforcement Continuing Education	46,254	9,995	11,960	44,289
Clerk's Records Perpetuation	20,660	5,540	15,519	10,681
Economic Redevelopment	2,079,373	1,331,095	474,828	2,935,640
Non-Budget	302,533	82,318	22,526	362,325
Insurance - Other	8,597	38,022	37,076	9,543
Fire Service Fee	717	1,896	881	1,732
1% Food & Beverage Tax	165,687	344,785	382,761	127,711
Building Department	154,333	234,495	375,693	13,135
Fire Equipment	884,001	367,331	174,746	1,076,586
Cumulative Capital Improvement	293,832	45,824	30,014	309,642
Cumulative Capital Development	748,816	258,960	438,360	569,416
Build Indiana	1,185	-	-	1,185
Police/Fire Games	82	-	82	-
CEDIT Capital Projects	1,395,851	1,347,923	1,220,694	1,523,080
Fire Grant	300	750	-	1,050
Fire Non-Budget	1,748	2,225	2,559	1,414
Fire Insurance Claims	9,546	7,046	10,107	6,485
Fire Gift	9,334	293	1,473	8,154
Riverboat	183,462	92,414	-	275,876
Rainy Day	748,941	3,431	71,086	681,286
Municipal Complex	-	1,514,695	396,409	1,118,286
Redevelopment Authority	309,845	285,842	442,115	153,572
Proprietary Funds:				
Water Utility - Operating	1,824,144	2,886,349	2,696,938	2,013,555
Water Utility - Depreciation	155,616	723	-	156,339
Water Utility - Bond and Interest	193,420	132,641	133,733	192,328
Water Utility - Customer Deposit	517,861	92,938	75,872	534,927
Water Utility - Construction	40,250	-	40,250	-
Wastewater Utility - Operating	2,222,073	2,762,638	2,708,788	2,275,923
Wastewater Utility - Bond and Interest	156,717	465,199	436,380	185,536
Wastewater Utility - Improvement	5,710	7	5,717	-
Wastewater Utility - Construction	1,598,126	778,147	991,802	1,384,471
Wastewater Utility - Depreciation	487,554	2,793	1,925	488,422
Self Insurance	52,119	1,721,860	1,692,115	81,864
Fiduciary Funds:				
Payroll	114,244	8,712,258	8,753,418	73,084
Police Officers' Pension	441,929	149,601	124,253	467,277
Two Brother	5,000	-	-	5,000
County Court	-	43,140	43,140	-
LECEF	14,033	64,343	40,172	38,204
Town Court	295,852	567,258	563,673	299,437
Totals	<u>\$ 20,336,952</u>	<u>\$ 39,776,715</u>	<u>\$ 37,661,519</u>	<u>\$ 22,452,148</u>

The accompanying notes are an integral part of the schedules.

TOWN OF BROWNSBURG
NOTES TO SCHEDULES

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes 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.

TOWN OF BROWNSBURG
NOTES TO SCHEDULES
(Continued)

Note 6. Pension Plans

A. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

1. Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), 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 PERF 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% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF 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:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

2. 1925 Police Officers' Pension Plan

Plan Description

The Town contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

The use of the pay-as-you-go actuarial cost method by the Town results in significant underfunding of the plan.

TOWN OF BROWNSBURG
NOTES TO SCHEDULES
(Continued)

B. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The Town contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the Town is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the Town are established by the Board of Trustees of PERF.

Note 7. Long-Term Debt

The Town has entered into various debts such as bonds for Water Works Improvements, 1999 Northfield Drive Project and 2003 Northfield Drive Project, and loans for Wastewater Improvement, 2002 Police Vehicles, 2003 Police Vehicles, and 2004 Police Vehicles. The outstanding principal at December 31, 2005, was \$1,830,000, \$3,960,000, \$1,735,000, \$5,415,000, \$31,057, \$63,410, and \$172,052, respectively.

The Town, Lincoln Township, and Brown Township have entered into a capital lease for the North Fire Station, the Downtown Fire and Police Building, and the Training Facility. The Town paid the lease on the Police portion of the Downtown Fire and Police Building. The Town, Lincoln Township, and Brown Township pay the lease payments on the fire portion of the Downtown Fire and Police Building, North Fire Station, and the Training Facility based on their assessed value each year. The outstanding principal at December 31, 2005, was \$819,478, \$2,781,338, and \$2,481,542 respectively.

TOWN OF BROWNSBURG
EXAMINATION RESULTS AND COMMENTS

COMPUTER OUTPUT (Applies to Wastewater and Water Utilities)

Access to records and information generated by the computer system was limited due to the Town's failure to maintain records or backups of meter readings and edit reports. These records would be used to verify meter readings agreed with usage billed to customers and to investigate potential discrepancies in usage identified by the computer system.

Public records, financial statement information and supporting information generated through a computer system should be printed out on paper, printed to disk or maintained on-line at the end of each reporting year and retained for audit. Information must be maintained in a manner that will allow access for audit and public inquiry on equipment of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-15-6-3(d) states: "No financial records or records relating thereto shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the State Board of Accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced as described in subsection (e)."

CONDITION OF RECORDS (Applies to Wastewater and Water Utilities)

Monthly Collections and the Cash Receipt Journal did not agree with bank deposits; however, the Revenue Report provided by the Clerk-Treasurer's Office did agree with the bank deposits.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree.

TOWN OF BROWNSBURG
EXIT CONFERENCE

The contents of this report were discussed on June 14, 2006, with Jeanette M. Brickler, Clerk-Treasurer; Susan J. Kaytar, Deputy Clerk-Treasurer; Kevin Servies, Superintendent of Water Utility; Kathy Dillon, Superintendent of Wastewater Utility; James L. Waggoner, Deputy Town Manager; and Charles E. Ratliff, President of the Town Council. The officials concurred with our findings.