

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

EXAMINATION REPORT

OF

TOWN OF BROOK

NEWTON COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED
05/16/2007

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Tammy Beasley

01-01-03 to 12-31-10

President of the Town Council

Brad Wilson
Jeff Laffoon

01-01-05 to 12-31-06
01-01-07 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF BROOK, NEWTON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Brook (Town), for the period of January 1, 2005 to December 31, 2006. The Town's management is responsible for the financial information presented herein. 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 financial information presented herein 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 financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

March 20, 2007

TOWN OF BROOK
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, 2005 And 2006

	Cash and Investments		Cash and Investments	
	01-01-05	Receipts	Disbursements	12-31-05
Governmental Funds:				
General	\$ 151,277	\$ 232,290	\$ 225,792	\$ 157,775
Motor Vehicle Highway	61,094	79,328	79,481	60,941
Local Road and Street	1,336	5,299	4,288	2,347
Park and Recreation	85	1,925	500	1,510
Law Enforcement Continuing Education	663	40	-	703
Community Center Donation	486	400	583	303
Community Center Rental	526	875	769	632
Landfill Tipping Fees	82,063	121,182	100,363	102,882
Interest	2,260	1,379	-	3,639
Housing Grant	90	-	-	90
Cumulative Capital Improvement	18,391	3,283	-	21,674
Levy Excess	1,313	3,665	-	4,978
Proprietary Funds:				
Water Utility - Operating	40,817	205,183	220,307	25,693
Water Utility - Bond and Interest	12,296	53,500	52,805	12,991
Water Utility - Depreciation	37,267	24,000	1,500	59,767
Water Utility - Customer Deposit	2,450	600	400	2,650
Water Utility - Reserve	41,037	-	-	41,037
Wastewater Utility - Operating	36,785	169,376	199,429	6,732
Wastewater Utility - Bond and Interest	3,332	39,705	39,830	3,207
Wastewater Utility - Depreciation	19,337	27,000	7,849	38,488
Wastewater Utility - Reserve	60,910	-	-	60,910
Fiduciary Fund:				
Payroll	5,382	145,382	145,433	5,331
Totals	\$ 579,197	\$ 1,114,412	\$ 1,079,329	\$ 614,280

	Cash and Investments		Cash and Investments	
	01-01-06	Receipts	Disbursements	12-31-06
Governmental Funds:				
General	\$ 157,775	\$ 242,838	\$ 236,237	\$ 164,376
Motor Vehicle Highway	60,941	89,642	95,649	54,934
Local Road and Street	2,347	4,550	4,077	2,820
Park and Recreation	1,510	325	-	1,835
Law Enforcement Continuing Education	703	10	-	713
Community Center Donation	303	296	307	292
Community Center Rental	632	875	637	870
Landfill Tipping Fees	102,882	139,920	96,341	146,461
Interest	3,639	1,924	-	5,563
Housing Grant	90	-	90	-
Cumulative Capital Improvement	21,674	3,794	-	25,468
Levy Excess	4,978	4,507	4,978	4,507
Proprietary Funds:				
Water Utility - Operating	25,693	165,471	155,474	35,690
Water Utility - Bond and Interest	12,991	46,290	50,092	9,189
Water Utility - Depreciation	59,767	6,000	13,335	52,432
Water Utility - Customer Deposit	2,650	950	700	2,900
Water Utility - Reserve	41,037	7,393	-	48,430
Wastewater Utility - Operating	6,732	140,896	129,332	18,296
Wastewater Utility - Bond and Interest	3,207	38,090	38,238	3,059
Wastewater Utility - Depreciation	38,488	-	16,132	22,356
Wastewater Utility - Reserve	60,910	-	19,522	41,388
Fiduciary Fund:				
Payroll	5,331	157,566	157,858	5,039
Totals	\$ 614,280	\$ 1,051,337	\$ 1,018,999	\$ 646,618

The accompanying notes are an integral part of the schedules.

TOWN OF BROOK
NOTES TO FINANCIAL INFORMATION

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 BROOK
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

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.

TOWN OF BROOK
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2006

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Notes and loans payable	\$ 4,888	\$ 4,888
Business-type Activities:		
Water Utility		
Loans payable:		
2002 Improvements	\$ 106,358	\$ 11,883
Revenue bonds:		
1994 Improvements	160,000	15,000
1998 Improvements	15,000	15,000
Total Water Utility	281,358	41,883
Wastewater Utility		
Revenue bonds:		
1998 Improvements	35,000	35,000
Total business-type activities long-term debt:	\$ 316,358	\$ 76,883

TOWN OF BROOK
EXAMINATION RESULTS AND COMMENTS

OLD OUTSTANDING CHECKS

Our review of the bank reconciliements as of December 31, 2006, revealed checks outstanding in excess of two years.

Indiana Code 5-11-10.5-2 states, in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states, in part: "Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the board of finance of the political subdivision or the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

CASH DISBURSEMENTS

Disbursements were not always made by check. Examples are six separate automatic bank withdrawals to a software vendor totaling \$816.64.

Disbursements, other than proper petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONFLICT OF INTEREST

Tammy Beasley's son was employed by the Town during the summers of 2005 and 2006. A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed.

Indiana Code 35-44-1-3 states, in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony. . . ."

TOWN OF BROOK
EXAMINATION RESULTS AND COMMENTS
(Continued)

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant. . . and (B) makes a disclosure under subsection (d)(1) through (d)(6)."

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase. . . ."

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant. . . ."

"(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-9-2-2) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

CAPITAL ASSET RECORDS

The Town and its Utilities do not maintain sufficient detailed records of capital assets. Records providing historical costs for the Town and its Utilities' capital assets were not available.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORTS

The annual reports for 2005 and 2006 were presented for audit; however, sections relating to cash and investments, capital assets, and nongovernmental assistance were left blank.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

TOWN OF BROOK
EXAMINATION RESULTS AND COMMENTS
(Continued)

PRESCRIBED FORMS

Checks used for vendor and payroll disbursements have not been approved by the State Board of Accounts.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT ACCOUNTS RECEIVABLE

The Town has established an unwritten 90 day shutoff policy for delinquent customers. The Town did not always follow the policy. A Town Board member had an outstanding balance over the 90 day limit.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7) Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY LATE FEES

Instances were noted where penalties on utility late fees were charged more than once.

It is our audit position that the 10% penalty on unpaid wastewater bills specified in Indiana Code 36-9-23-31 should be assessed one time and one time only. Subsequent billings should not include additional assessments on this penalty. Similarly, unless specifically directed by statute, ordinance, or other legal directives, penalties on late fees for municipal utilities organized under Indiana Code 8-1.5 should be charged only one time. Future late charges should not include additional charges added to the penalties on late fees. (Cities and Towns Bulletin and Uniform Compliance Guidelines, March 1999)

TOWN OF BROOK
EXIT CONFERENCE

The contents of this report were discussed on March 20, 2007, with Tammy Beasley, Clerk-Treasurer; and Jeff Laffoon, President of the Town Council. The officials concurred with our findings.