

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

AUDIT REPORT

OF

TOWN OF BROWNSTOWN

JACKSON COUNTY, INDIANA

January 1, 2005 to December 31, 2006



**FILED**  
07/05/2007



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rebecka Fee	01-01-04 to 12-31-07
President of the Town Council	Leroy Warren	01-01-05 to 12-31-07
Superintendent of Wastewater Utility	Scott Hunsucker	01-01-05 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE TOWN OF BROWNSTOWN, JACKSON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Brownstown (Town), as of and for the years ended December 31, 2005 and 2006, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2005 and 2006, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated June 13, 2007, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Town taken as a whole. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

The Town has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

June 13, 2007



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302 WEST WASHINGTON STREET  
ROOM E418  
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Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF BROWNSTOWN, JACKSON COUNTY, INDIANA

We have audited the financial statements of the Town of Brownstown (Town), as of and for the years ended December 31, 2005 and 2006, and have issued our report thereon dated June 13, 2007. 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.

Compliance

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Town's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 13, 2007

TOWN OF BROWNSTOWN  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2005

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 169,818	\$ 40,380	\$ 27,584	\$ 15,362	\$ (86,492)	\$ -	\$ (86,492)
Public safety	451,724	1,030	34,518	16,656	(399,520)	-	(399,520)
Highways and streets	224,506	90	139,775	-	(84,641)	-	(84,641)
Economic development	26,259	-	-	45,395	19,136	-	19,136
Culture and recreation	163,359	38,809	36,281	12,000	(76,269)	-	(76,269)
Interest on long-term debt	32,173	-	-	-	(32,173)	-	(32,173)
Total governmental activities	1,067,839	80,309	238,158	89,413	(659,959)	-	(659,959)
Business-type activities:							
Wastewater	749,264	689,651	-	-	-	(59,613)	(59,613)
Total primary government	<u>\$ 1,817,103</u>	<u>\$ 769,960</u>	<u>\$ 238,158</u>	<u>\$ 89,413</u>	<u>(659,959)</u>	<u>(59,613)</u>	<u>(719,572)</u>
General receipts:							
Property taxes					969,328	-	969,328
Other local sources					244,217	-	244,217
Unrestricted investment earnings					17,661	19,838	37,499
Temporary loans					(127,000)	127,000	-
Total general receipts					<u>1,104,206</u>	<u>146,838</u>	<u>1,251,044</u>
Change in net assets					444,247	87,225	531,472
Net assets - beginning					<u>635,965</u>	<u>1,054,417</u>	<u>1,690,382</u>
Net assets - ending					<u>\$ 1,080,212</u>	<u>\$ 1,141,642</u>	<u>\$ 2,221,854</u>
<u>Assets</u>							
Cash and investments					\$ 173,621	\$ 549,135	\$ 722,756
Restricted assets:							
Cash and investments					<u>906,591</u>	<u>592,507</u>	<u>1,499,098</u>
Total assets					<u>\$ 1,080,212</u>	<u>\$ 1,141,642</u>	<u>\$ 2,221,854</u>
<u>Net Assets</u>							
Restricted for:							
Public safety					\$ 85,376	\$ -	\$ 85,376
Highways and streets					168,434	-	168,434
Culture and recreation					73,271	-	73,271
Debt service					97,659	524,211	621,870
Other purposes					481,851	-	481,851
Sewer improvements					-	68,296	68,296
Unrestricted					<u>173,621</u>	<u>549,135</u>	<u>722,756</u>
Total net assets					<u>\$ 1,080,212</u>	<u>\$ 1,141,642</u>	<u>\$ 2,221,854</u>

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

TOWN OF BROWNSTOWN  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2005

	General	Park and Recreation	Cumulative Capital Development	CEDIT Capital Projects	Motor Vehicle Highway	Other Governmental Funds	Totals
<b>Receipts:</b>							
Taxes	\$ 326,832	\$ 140,463	\$ 40,842	\$ -	\$ 167,405	\$ 293,787	\$ 969,329
Licenses and permits	-	-	-	-	90	550	640
Intergovernmental	223,971	19,861	6,157	45,395	121,611	127,804	544,799
Charges for services	11,381	27,024	-	-	-	40,296	78,701
Fines and forfeits	81	-	-	-	-	-	81
Other	19,423	3,387	-	-	3,047	19,679	45,536
<b>Total receipts</b>	<b>581,688</b>	<b>190,735</b>	<b>46,999</b>	<b>45,395</b>	<b>292,153</b>	<b>482,116</b>	<b>1,639,086</b>
<b>Disbursements:</b>							
General government	80,088	-	-	-	-	44,993	125,081
Public safety	361,949	-	-	-	-	64,744	426,693
Highways and streets	-	-	-	-	186,181	4,425	190,606
Culture and recreation	-	106,749	-	-	-	6,905	113,654
Debt service:							
Principal	5,507	-	-	-	-	57,139	62,646
Interest	1,160	-	-	-	-	31,013	32,173
Capital outlay:							
General government	-	-	-	-	-	27,230	27,230
Public safety	-	-	-	-	-	9,892	9,892
Highways and streets	-	-	-	-	33,900	-	33,900
Economic development	-	-	-	14,259	-	12,000	26,259
Culture and recreation	-	19,705	-	-	-	-	19,705
<b>Total disbursements</b>	<b>448,704</b>	<b>126,454</b>	<b>-</b>	<b>14,259</b>	<b>220,081</b>	<b>258,341</b>	<b>1,067,839</b>
Excess of receipts over disbursements	132,984	64,281	46,999	31,136	72,072	223,775	571,247
<b>Other financing sources (uses)</b>							
Interfund loan proceeds	50,000	-	-	-	-	40,418	90,418
Interfund loan repayments	(165,000)	(12,000)	43,270	-	-	(83,688)	(217,418)
Transfers in	20,000	-	-	-	-	-	20,000
Transfers out	-	-	-	-	-	(20,000)	(20,000)
<b>Total other financing sources (uses)</b>	<b>(95,000)</b>	<b>(12,000)</b>	<b>43,270</b>	<b>-</b>	<b>-</b>	<b>(63,270)</b>	<b>(127,000)</b>
Excess of receipts and other financing sources over disbursements and other financing uses	37,984	52,281	90,269	31,136	72,072	160,505	444,247
Cash and investment fund balance - beginning	69,511	11,071	18,547	263,607	48,067	225,162	635,965
<b>Cash and investment fund balance - ending</b>	<b>\$ 107,495</b>	<b>\$ 63,352</b>	<b>\$ 108,816</b>	<b>\$ 294,743</b>	<b>\$ 120,139</b>	<b>\$ 385,667</b>	<b>\$ 1,080,212</b>
<b>Cash and Investment Assets - December 31</b>							
Cash and investments	\$ 107,495	\$ -	\$ -	\$ -	\$ -	\$ 66,126	\$ 173,621
Restricted assets:							
Cash and investments	-	63,352	108,816	294,743	120,139	319,541	906,591
<b>Total cash and investment assets - December 31</b>	<b>\$ 107,495</b>	<b>\$ 63,352</b>	<b>\$ 108,816</b>	<b>\$ 294,743</b>	<b>\$ 120,139</b>	<b>\$ 385,667</b>	<b>\$ 1,080,212</b>
<b>Cash and Investment Fund Balance - December 31</b>							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,376	\$ 85,376
Highways and streets	-	-	-	-	120,139	48,295	168,434
Culture and recreation	-	63,352	-	-	-	9,919	73,271
Debt service	-	-	-	-	-	97,659	97,659
Other purposes	-	-	108,816	294,743	-	78,292	481,851
Unrestricted	107,495	-	-	-	-	66,126	173,621
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 107,495</b>	<b>\$ 63,352</b>	<b>\$ 108,816</b>	<b>\$ 294,743</b>	<b>\$ 120,139</b>	<b>\$ 385,667</b>	<b>\$ 1,080,212</b>

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

TOWN OF BROWNSTOWN  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
As of and for the Year Ended December 31, 2005

	Wastewater Utility
Operating receipts:	
Measured revenue	\$ 651,769
Penalties	13,762
Tap fees	16,290
Other	7,830
Total operating receipts	689,651
Operating disbursements:	
Salaries and wages	195,368
Employee pensions and benefits	25,583
Purchased power	44,270
Sludge removal	8,591
Chemicals	13,537
Material and supplies	88,214
Repairs and maintenance	35,758
Contractual services	21,714
Transportation disbursements	2,819
Insurance disbursements	5,462
Miscellaneous disbursements	29,123
Total operating disbursements	470,439
Excess of operating receipts over operating disbursements	219,212
Nonoperating receipts (disbursements):	
Interest receipts	19,838
Temporary loan repayments	217,418
Debt service of principal	(165,000)
Interest and disbursement	(113,825)
Temporary loans to governmental funds	(90,418)
Total nonoperating disbursements	(131,987)
Excess of receipts over disbursements and nonoperating receipts (disbursements)	87,225
Cash and investment fund balance - beginning	1,054,417
Cash and investment fund balance - ending	\$ 1,141,642
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	\$ 549,135
Restricted assets:	
Cash and investments	592,507
Total cash and investment assets - December 31	\$ 1,141,642
<u>Cash and Investment Fund Balance - December 31</u>	
Restricted for:	
Debt service	\$ 524,211
Sewer improvements	68,296
Unrestricted	549,135
Total cash and investment fund balance - December 31	\$ 1,141,642

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

TOWN OF BROWNSTOWN  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUND  
For The Year Ended December 31, 2005

	Agency Fund
Additions:	
Agency fund additions	\$ 291,500
Deductions:	
Agency fund deductions	293,734
Deficiency of total additions over total deductions	(2,234)
Cash and investment fund balance - beginning	6,519
Cash and investment fund balance - ending	\$ 4,285

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

TOWN OF BROWNSTOWN  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2006

Functions/Programs	Disbursements	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 210,589	\$ 47,357	\$ 2,262	\$ 13,605	\$ (147,365)	\$ -	\$ (147,365)
Public safety	417,535	5,304	37,598	4,870	(369,763)	-	(369,763)
Highways and streets	661,871	165	141,392	500,013	(20,301)	-	(20,301)
Economic development	182,985	-	-	51,750	(131,235)	-	(131,235)
Culture and recreation	158,506	42,958	10,959	8,000	(96,589)	-	(96,589)
Interest on long-term debt	29,320	-	-	-	(29,320)	-	(29,320)
Total governmental activities	1,660,806	95,784	192,211	578,238	(794,573)	-	(794,573)
Business-type activities:							
Wastewater	714,024	672,902	-	-	-	(41,122)	(41,122)
Total primary government	<u>\$ 2,374,830</u>	<u>\$ 768,686</u>	<u>\$ 192,211</u>	<u>\$ 578,238</u>	<u>(794,573)</u>	<u>(41,122)</u>	<u>(835,695)</u>
General receipts:							
Property taxes					559,003	-	559,003
Other local sources					246,321	-	246,321
Unrestricted investment earnings					34,094	48,402	82,496
Total general receipts					839,418	48,402	887,820
Change in net assets					44,845	7,280	52,125
Net assets - beginning					1,080,212	1,141,642	2,221,854
Net assets - ending					<u>\$ 1,125,057</u>	<u>\$ 1,148,922</u>	<u>\$ 2,273,979</u>
<u>Assets</u>							
Cash and investments					\$ 231,807	\$ 523,309	\$ 755,116
Restricted assets:							
Cash and investments					893,250	625,613	1,518,863
Total assets					<u>\$ 1,125,057</u>	<u>\$ 1,148,922</u>	<u>\$ 2,273,979</u>
<u>Net Assets</u>							
Restricted for:							
Public safety					\$ 90,438	\$ -	\$ 90,438
Highways and streets					261,248	-	261,248
Culture and recreation					87,400	-	87,400
Debt service					93,852	554,896	648,748
Sewer improvements					-	70,717	70,717
Other purposes					360,312	-	360,312
Unrestricted					231,807	523,309	755,116
Total net assets					<u>\$ 1,125,057</u>	<u>\$ 1,148,922</u>	<u>\$ 2,273,979</u>

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

TOWN OF BROWNSTOWN  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006

	General	Park and Recreation	Cumulative Capital Development	CEDIT Capital Projects	Sidewalk Grant	Motor Vehicle Highway	Other Governmental Funds	Totals
<b>Receipts:</b>								
Taxes	\$ 211,162	\$ 84,096	\$ 32,889	\$ -	\$ -	\$ 113,116	\$ 117,740	\$ 559,003
Licenses and permits	-	-	-	-	-	40	545	585
Intergovernmental	229,051	7,580	2,966	51,750	500,000	119,100	87,280	997,727
Charges for services	12,422	31,592	-	-	-	-	45,913	89,927
Fines and forfeits	156	-	-	-	-	-	-	156
Other	36,943	670	-	-	13	7,636	12,991	58,253
<b>Total receipts</b>	<b>489,734</b>	<b>123,938</b>	<b>35,855</b>	<b>51,750</b>	<b>500,013</b>	<b>239,892</b>	<b>264,469</b>	<b>1,705,651</b>
<b>Disbursements:</b>								
General government	128,128	-	-	-	-	-	53,308	181,436
Public safety	336,435	-	-	-	-	-	67,753	404,188
Highways and streets	-	-	-	-	-	186,206	-	186,206
Culture and recreation	-	112,550	-	-	-	-	7,956	120,506
Debt service:								
Principal	5,777	-	-	-	-	-	59,153	64,930
Interest	890	-	-	-	-	-	28,430	29,320
Capital outlay:								
Public safety	-	-	-	-	-	-	7,570	7,570
Highways and streets	-	-	-	-	475,665	-	-	475,665
Economic development	-	-	-	182,985	-	-	-	182,985
Culture and recreation	-	-	-	-	-	-	8,000	8,000
<b>Total disbursements</b>	<b>471,230</b>	<b>112,550</b>	<b>-</b>	<b>182,985</b>	<b>475,665</b>	<b>186,206</b>	<b>232,170</b>	<b>1,660,806</b>
Excess (deficiency) of receipts over disbursements	18,504	11,388	35,855	(131,235)	24,348	53,686	32,299	44,845
<b>Other financing sources (uses)</b>								
Transfers in	25,000	-	-	-	-	-	-	25,000
Transfers out	-	-	-	-	-	-	(25,000)	(25,000)
<b>Total other financing sources (uses)</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(25,000)</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	43,504	11,388	35,855	(131,235)	24,348	53,686	7,299	44,845
Cash and investment fund balance - beginning	107,495	63,352	108,816	294,743	-	120,139	385,667	1,080,212
<b>Cash and investment fund balance - ending</b>	<b>\$ 150,999</b>	<b>\$ 74,740</b>	<b>\$ 144,671</b>	<b>\$ 163,508</b>	<b>\$ 24,348</b>	<b>\$ 173,825</b>	<b>\$ 392,966</b>	<b>\$ 1,125,057</b>
<b>Cash and Investment Assets - December 31</b>								
Cash and investments	\$ 150,999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,808	\$ 231,807
Restricted assets:								
Cash and investments	-	74,740	144,671	163,508	24,348	173,825	312,158	893,250
<b>Total cash and investment assets - December 31</b>	<b>\$ 150,999</b>	<b>\$ 74,740</b>	<b>\$ 144,671</b>	<b>\$ 163,508</b>	<b>\$ 24,348</b>	<b>\$ 173,825</b>	<b>\$ 392,966</b>	<b>\$ 1,125,057</b>
<b>Cash and Investment Fund Balance - December 31</b>								
Restricted for:								
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,438	\$ 90,438
Highways and streets	-	-	-	-	24,348	173,825	63,075	261,248
Culture and recreation	-	74,740	-	-	-	-	12,660	87,400
Debt service	-	-	-	-	-	-	93,852	93,852
Other purposes	-	-	144,671	163,508	-	-	52,133	360,312
Unrestricted	150,999	-	-	-	-	-	80,808	231,807
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 150,999</b>	<b>\$ 74,740</b>	<b>\$ 144,671</b>	<b>\$ 163,508</b>	<b>\$ 24,348</b>	<b>\$ 173,825</b>	<b>\$ 392,966</b>	<b>\$ 1,125,057</b>

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

TOWN OF BROWNSTOWN  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
As of and for the Year Ended December 31, 2006

	<u>Wastewater Utility</u>
Operating receipts:	
Measured revenue	\$ 638,034
Penalties	12,756
Tap fees	12,680
Other	<u>9,432</u>
Total operating receipts	<u>672,902</u>
Operating disbursements:	
Salaries and wages	208,254
Employee pensions and benefits	26,664
Purchased power	46,855
Sludge removal	6,226
Chemicals	17,285
Material and supplies	31,793
Repairs and maintenance	45,339
Contractual services	15,958
Transportation disbursements	1,759
Insurance disbursements	4,989
Miscellaneous disbursements	<u>26,819</u>
Total operating disbursements	<u>431,941</u>
Excess of operating receipts over operating disbursements	<u>240,961</u>
Nonoperating receipts (disbursements):	
Interest and investment receipts	48,402
Debt service of principal	(175,000)
Interest and investment disbursement	<u>(107,083)</u>
Total nonoperating disbursements	<u>(233,681)</u>
Excess of receipts over disbursements and nonoperating receipts (disbursements)	<u>7,280</u>
Cash and investment fund balance - beginning	<u>1,141,642</u>
Cash and investment fund balance - ending	<u><u>\$ 1,148,922</u></u>
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	\$ 523,309
Restricted assets:	
Cash and investments	<u>625,613</u>
Total cash and investment assets - December 31	<u><u>\$ 1,148,922</u></u>
<u>Cash and Investment Fund Balance - December 31</u>	
Restricted for:	
Debt service	\$ 554,896
Sewer improvements	70,717
Unrestricted	<u>523,309</u>
Total cash and investment fund balance - December 31	<u><u>\$ 1,148,922</u></u>

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

TOWN OF BROWNSTOWN  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUND  
For The Year Ended December 31, 2006

	Agency Fund
Additions:	
Agency fund additions	\$ 277,527
Deductions:	
Agency fund deductions	276,066
Excess of total additions over total deductions	1,461
Cash and investment fund balance - beginning	4,285
Cash and investment fund balance - ending	\$ 5,746

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

TOWN OF BROWNSTOWN  
NOTES TO FINANCIAL STATEMENTS

I. 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 the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, general administrative services, wastewater, and urban redevelopment.

The Town's financial reporting entity is composed of the following:

Primary Government: Town of Brownstown

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The parks and recreation fund accounts for funds received from culture and recreation activities. The fund is primarily used to provide citizens with recreational programs and facilities.

The cumulative capital development fund accounts for funds received under the Town's imposed property tax revenues. This fund is primarily used to pay for the Town's capital projects and capital assets.

The county economic development income tax (CEDIT) capital projects fund accounts for funds received under the County's imposed economic development tax. Prior to July 1, 2005, these funds were to be used for economic development projects. Beginning July 1, 2005, state statutes allow the use of these funds for any legal purpose of the Town.

TOWN OF BROWNSTOWN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The sidewalk grant fund accounts for federal grant receipts and disbursements for the sidewalk improvement project.

The motor vehicle highway fund accounts for state motor vehicle highway account distributions and related local tax revenues. This fund is used principally for the construction and maintenance of streets and alleys. Indiana Code 8-14-1-5 lists in detail all approved uses of this fund.

The Town reports the following major proprietary fund:

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations and collection systems.

Additionally, the Town reports the following fund type:

The agency fund accounts for assets held by the Town as an agent for other entities and serves as a control account for certain cash transactions during the time they are a liability to the Town.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs.

TOWN OF BROWNSTOWN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the Town's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

TOWN OF BROWNSTOWN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
2. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

TOWN OF BROWNSTOWN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the years ended December 31, 2005 and 2006, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2006
Cumulative Fire Special Cemetery	\$ 1,070 <u>13,386</u>
Total	<u>\$ 14,456</u>

These disbursements were funded by available fund balances.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2005 and 2006, were as follows:

Transfer From	Transfer To	2005	2006
Other governmental	General Fund	<u>\$ 20,000</u>	<u>\$ 25,000</u>

The Town typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The Town is 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; and natural disasters.

TOWN OF BROWNSTOWN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Job Related Illness or Injuries to Employees

During 1997, the Town joined a public entity risk pool, the Indiana Public Employers' Plan, Inc., currently operating as a common risk management and insurance program for member governmental entities. This risk pool was formed in 1989 for the purpose of providing a medium for the funding and administration of workers compensation claims. The Town pays an annual premium to the risk pool for its workers compensation coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Holding Corporation

The Town has entered into a capital lease with Brownstown Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the Town. Lease payments during the two year period of 2005 and 2006 totaled \$45,453 and \$44,478, respectively.

C. Rate Structure – Enterprise Fund

Wastewater Utility

The current rate structure was approved by the Town Council on June 19, 2000.

TOWN OF BROWNSTOWN  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005

	Rainy Day Fund	Riverboat Fund	Local Law Enforcement Continuing Ed	Drug Free Grant	Park Planning Grant	Cumulative Capital Improvement
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	550	-	-	-
Intergovernmental	-	18,779	-	-	12,000	9,206
Charges for services	-	-	399	-	-	-
Other	-	-	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>18,779</b>	<b>949</b>	<b>-</b>	<b>12,000</b>	<b>9,206</b>
<b>Disbursements:</b>						
General government	2,167	2,179	-	-	-	-
Public safety	-	-	3,231	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
<b>Debt service:</b>						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
<b>Capital outlay:</b>						
General government	-	16,892	-	-	-	10,338
Public safety	-	-	-	-	-	-
Culture and recreation	-	-	-	-	12,000	-
<b>Total disbursements</b>	<b>2,167</b>	<b>19,071</b>	<b>3,231</b>	<b>-</b>	<b>12,000</b>	<b>10,338</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(2,167)</b>	<b>(292)</b>	<b>(2,282)</b>	<b>-</b>	<b>-</b>	<b>(1,132)</b>
<b>Other financing sources (uses)</b>						
Interfund loan proceeds	-	-	-	-	-	-
Interfund loan repayments	-	-	-	-	-	6,175
Transfers out	-	-	-	-	-	(20,000)
<b>Total other financing uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,825)</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>(2,167)</b>	<b>(292)</b>	<b>(2,282)</b>	<b>-</b>	<b>-</b>	<b>(14,957)</b>
<b>Cash and investment fund balance - beginning</b>	<b>30,976</b>	<b>37,609</b>	<b>3,669</b>	<b>55</b>	<b>-</b>	<b>51,988</b>
<b>Cash and investment fund balance - ending</b>	<b>\$ 28,809</b>	<b>\$ 37,317</b>	<b>\$ 1,387</b>	<b>\$ 55</b>	<b>\$ -</b>	<b>\$ 37,031</b>
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ 28,809	\$ 37,317	\$ -	\$ -	\$ -	\$ -
<b>Restricted assets:</b>						
Cash and investments	-	-	1,387	55	-	37,031
<b>Total cash and investment assets - December 31</b>	<b>\$ 28,809</b>	<b>\$ 37,317</b>	<b>\$ 1,387</b>	<b>\$ 55</b>	<b>\$ -</b>	<b>\$ 37,031</b>
<b>Cash and Investment Fund Balance - December 31</b>						
<b>Restricted for:</b>						
Public safety	\$ -	\$ -	\$ 1,387	\$ 55	\$ -	\$ -
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Other purposes	-	-	-	-	-	37,031
<b>Unrestricted</b>	<b>28,809</b>	<b>37,317</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 28,809</b>	<b>\$ 37,317</b>	<b>\$ 1,387</b>	<b>\$ 55</b>	<b>\$ -</b>	<b>\$ 37,031</b>

TOWN OF BROWNSTOWN  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	Joint Fire Protection Board	Nonreverting Park and Recreation	Cemetery	Debt Service - Pool	HUD Housing	Bond #2 - Storm Sewer Project
Receipts:						
Taxes	\$ 87,989	\$ -	\$ 6,798	\$ 98,729	\$ -	\$ 73,162
Licenses and permits	-	-	-	-	-	-
Intergovernmental	34,518	-	992	13,919	-	9,813
Charges for services	-	10,898	28,999	-	-	-
Other	-	-	570	-	16,208	-
<b>Total receipts</b>	<b>122,507</b>	<b>10,898</b>	<b>37,359</b>	<b>112,648</b>	<b>16,208</b>	<b>82,975</b>
Disbursements:						
General government	-	-	40,647	-	-	-
Public safety	51,757	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	6,905	-	-	-	-
Debt service:						
Principal	-	-	-	30,000	-	12,000
Interest	-	-	-	15,453	-	12,065
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
<b>Total disbursements</b>	<b>51,757</b>	<b>6,905</b>	<b>40,647</b>	<b>45,453</b>	<b>-</b>	<b>24,065</b>
Excess (deficiency) of receipts over disbursements	<u>70,750</u>	<u>3,993</u>	<u>(3,288)</u>	<u>67,195</u>	<u>16,208</u>	<u>58,910</u>
Other financing sources (uses)						
Interfund loan proceeds	-	-	-	22,471	-	17,947
Interfund loan repayments	(20,000)	-	-	(45,741)	-	(24,122)
Transfers out	-	-	-	-	-	-
<b>Total other financing uses</b>	<b>(20,000)</b>	<b>-</b>	<b>-</b>	<b>(23,270)</b>	<b>-</b>	<b>(6,175)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	50,750	3,993	(3,288)	43,925	16,208	52,735
Cash and investment fund balance - beginning	<u>1,244</u>	<u>5,926</u>	<u>28,341</u>	<u>657</u>	<u>-</u>	<u>342</u>
Cash and investment fund balance - ending	<u>\$ 51,994</u>	<u>\$ 9,919</u>	<u>\$ 25,053</u>	<u>\$ 44,582</u>	<u>\$ 16,208</u>	<u>\$ 53,077</u>
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	<u>51,994</u>	<u>9,919</u>	<u>25,053</u>	<u>44,582</u>	<u>16,208</u>	<u>53,077</u>
<b>Total cash and investment assets - December 31</b>	<b>\$ 51,994</b>	<b>\$ 9,919</b>	<b>\$ 25,053</b>	<b>\$ 44,582</b>	<b>\$ 16,208</b>	<b>\$ 53,077</b>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Public safety	\$ 51,994	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	9,919	-	-	-	-
Debt service	-	-	-	44,582	-	53,077
Other purposes	-	-	25,053	-	16,208	-
Unrestricted	-	-	-	-	-	-
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 51,994</b>	<b>\$ 9,919</b>	<b>\$ 25,053</b>	<b>\$ 44,582</b>	<b>\$ 16,208</b>	<b>\$ 53,077</b>

TOWN OF BROWNSTOWN  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	Cumulative Fire Special	Fire Donations	FEMA Grant Fire Department	Local Road and Street	Totals
<b>Receipts:</b>					
Taxes	\$ 27,109	\$ -	\$ -	\$ -	\$ 293,787
Licenses and permits	-	-	-	-	550
Intergovernmental	4,086	-	9,374	15,117	127,804
Charges for services	-	-	-	-	40,296
Other	-	2,901	-	-	19,679
<b>Total receipts</b>	<b>31,195</b>	<b>2,901</b>	<b>9,374</b>	<b>15,117</b>	<b>482,116</b>
<b>Disbursements:</b>					
General government	-	-	-	-	44,993
Public safety	-	-	9,756	-	64,744
Highways and streets	-	-	-	4,425	4,425
Culture and recreation	-	-	-	-	6,905
<b>Debt service:</b>					
Principal	15,139	-	-	-	57,139
Interest	3,495	-	-	-	31,013
<b>Capital outlay:</b>					
General government	-	-	-	-	27,230
Public safety	9,892	-	-	-	9,892
Culture and recreation	-	-	-	-	12,000
<b>Total disbursements</b>	<b>28,526</b>	<b>-</b>	<b>9,756</b>	<b>4,425</b>	<b>258,341</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>2,669</b>	<b>2,901</b>	<b>(382)</b>	<b>10,692</b>	<b>223,775</b>
<b>Other financing sources (uses)</b>					
Interfund loan proceeds	-	-	-	-	40,418
Interfund loan repayments	-	-	-	-	(83,688)
Transfers out	-	-	-	-	(20,000)
<b>Total other financing uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(63,270)</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>2,669</b>	<b>2,901</b>	<b>(382)</b>	<b>10,692</b>	<b>160,505</b>
<b>Cash and investment fund balance - beginning</b>	<b>25,092</b>	<b>116</b>	<b>1,544</b>	<b>37,603</b>	<b>225,162</b>
<b>Cash and investment fund balance - ending</b>	<b>\$ 27,761</b>	<b>\$ 3,017</b>	<b>\$ 1,162</b>	<b>\$ 48,295</b>	<b>\$ 385,667</b>
<b>Cash and Investment Assets - December 31</b>					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 66,126
<b>Restricted assets:</b>					
Cash and investments	27,761	3,017	1,162	48,295	319,541
<b>Total cash and investment assets - December 31</b>	<b>\$ 27,761</b>	<b>\$ 3,017</b>	<b>\$ 1,162</b>	<b>\$ 48,295</b>	<b>\$ 385,667</b>
<b>Cash and Investment Fund Balance - December 31</b>					
<b>Restricted for:</b>					
Public safety	\$ 27,761	\$ 3,017	\$ 1,162	\$ -	\$ 85,376
Highways and streets	-	-	-	48,295	48,295
Culture and recreation	-	-	-	-	9,919
Debt service	-	-	-	-	97,659
Other purposes	-	-	-	-	78,292
<b>Unrestricted</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66,126</b>
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 27,761</b>	<b>\$ 3,017</b>	<b>\$ 1,162</b>	<b>\$ 48,295</b>	<b>\$ 385,667</b>

TOWN OF BROWNSTOWN  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006

	Rainy Day Fund	Riverboat Fund	Police Donations Fund	Local Law Enforcement Continuing Ed	Drug Free Grant	Park Planning Grant
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	545	-	-
Intergovernmental	-	18,740	-	-	-	8,000
Charges for services	-	-	-	281	-	-
Other	-	-	500	2,395	-	-
Total receipts	<u>-</u>	<u>18,740</u>	<u>500</u>	<u>3,221</u>	<u>-</u>	<u>8,000</u>
Disbursements:						
General government	283	3,775	-	-	-	-
Public safety	-	-	-	630	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
Public safety	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	8,000
Total disbursements	<u>283</u>	<u>3,775</u>	<u>-</u>	<u>630</u>	<u>-</u>	<u>8,000</u>
Excess (deficiency) of receipts over disbursements	<u>(283)</u>	<u>14,965</u>	<u>500</u>	<u>2,591</u>	<u>-</u>	<u>-</u>
Other financing uses						
Transfers out	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(283)</u>	<u>14,965</u>	<u>500</u>	<u>2,591</u>	<u>-</u>	<u>-</u>
Cash and investment fund balance - beginning	<u>28,809</u>	<u>37,317</u>	<u>-</u>	<u>1,387</u>	<u>55</u>	<u>-</u>
Cash and investment fund balance - ending	<u>\$ 28,526</u>	<u>\$ 52,282</u>	<u>\$ 500</u>	<u>\$ 3,978</u>	<u>\$ 55</u>	<u>\$ -</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ 28,526	\$ 52,282	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	500	3,978	55	-
Total cash and investment assets - December 31	<u>\$ 28,526</u>	<u>\$ 52,282</u>	<u>\$ 500</u>	<u>\$ 3,978</u>	<u>\$ 55</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Public safety	\$ -	\$ -	\$ 500	\$ 3,978	\$ 55	\$ -
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-
Unrestricted	<u>28,526</u>	<u>52,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and investment fund balance - December 31	<u>\$ 28,526</u>	<u>\$ 52,282</u>	<u>\$ 500</u>	<u>\$ 3,978</u>	<u>\$ 55</u>	<u>\$ -</u>

TOWN OF BROWNSTOWN  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Cumulative Capital Improvement	Joint Fire Protection Board	Nonreverting Park and Recreation	Cemetery	Debt Service - Pool	HUD Housing
Receipts:						
Taxes	\$ -	\$ 33,828	\$ -	\$ 2,253	\$ 37,570	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	10,639	27,563	-	204	3,380	-
Charges for services	-	-	10,697	34,935	-	-
Other	-	10,036	-	60	-	-
<b>Total receipts</b>	<b>10,639</b>	<b>71,427</b>	<b>10,697</b>	<b>37,452</b>	<b>40,950</b>	<b>-</b>
Disbursements:						
General government	-	-	-	49,250	-	-
Public safety	-	67,123	-	-	-	-
Culture and recreation	-	-	7,956	-	-	-
Debt service:						
Principal	-	-	-	-	30,000	-
Interest	-	-	-	-	14,478	-
Capital outlay:						
Public safety	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>67,123</b>	<b>7,956</b>	<b>49,250</b>	<b>44,478</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	10,639	4,304	2,741	(11,798)	(3,528)	-
Other financing uses						
Transfers out	(25,000)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(14,361)	4,304	2,741	(11,798)	(3,528)	-
Cash and investment fund balance - beginning	37,031	51,994	9,919	25,053	44,582	16,208
Cash and investment fund balance - ending	\$ 22,670	\$ 56,298	\$ 12,660	\$ 13,255	\$ 41,054	\$ 16,208
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	22,670	56,298	12,660	13,255	41,054	16,208
Total cash and investment assets - December 31	\$ 22,670	\$ 56,298	\$ 12,660	\$ 13,255	\$ 41,054	\$ 16,208
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Public safety	\$ -	\$ 56,298	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	12,660	-	-	-
Debt service	-	-	-	-	41,054	-
Other purposes	22,670	-	-	13,255	-	16,208
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - December 31	\$ 22,670	\$ 56,298	\$ 12,660	\$ 13,255	\$ 41,054	\$ 16,208

TOWN OF BROWNSTOWN  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Bond #2 - Storm Sewer Project	Cumulative Fire Special	Fire Donations	FEMA Grant Fire Department	Local Road and Street	Totals
Receipts:						
Taxes	\$ 22,193	\$ 21,896	\$ -	\$ -	\$ -	\$ 117,740
Licenses and permits	-	-	-	-	-	545
Intergovernmental	1,999	1,975	-	-	14,780	87,280
Charges for services	-	-	-	-	-	45,913
Other	-	-	-	-	-	12,991
<b>Total receipts</b>	<b>24,192</b>	<b>23,871</b>	<b>-</b>	<b>-</b>	<b>14,780</b>	<b>264,469</b>
Disbursements:						
General government	-	-	-	-	-	53,308
Public safety	-	-	-	-	-	67,753
Culture and recreation	-	-	-	-	-	7,956
Debt service:						
Principal	13,000	16,153	-	-	-	59,153
Interest	11,471	2,481	-	-	-	28,430
Capital outlay:						
Public safety	-	7,570	-	-	-	7,570
Culture and recreation	-	-	-	-	-	8,000
<b>Total disbursements</b>	<b>24,471</b>	<b>26,204</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>232,170</b>
Excess (deficiency) of receipts over disbursements	(279)	(2,333)	-	-	14,780	32,299
Other financing uses						
Transfers out	-	-	-	-	-	(25,000)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(279)	(2,333)	-	-	14,780	7,299
Cash and investment fund balance - beginning	53,077	27,761	3,017	1,162	48,295	385,667
Cash and investment fund balance - ending	<u>\$ 52,798</u>	<u>\$ 25,428</u>	<u>\$ 3,017</u>	<u>\$ 1,162</u>	<u>\$ 63,075</u>	<u>\$ 392,966</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,808
Restricted assets:						
Cash and investments	52,798	25,428	3,017	1,162	63,075	312,158
Total cash and investment assets - December 31	<u>\$ 52,798</u>	<u>\$ 25,428</u>	<u>\$ 3,017</u>	<u>\$ 1,162</u>	<u>\$ 63,075</u>	<u>\$ 392,966</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Public safety	\$ -	\$ 25,428	\$ 3,017	\$ 1,162	\$ -	\$ 90,438
Highways and streets	-	-	-	-	63,075	63,075
Culture and recreation	-	-	-	-	-	12,660
Debt service	52,798	-	-	-	-	93,852
Other purposes	-	-	-	-	-	52,133
Unrestricted	-	-	-	-	-	80,808
Total cash and investment fund balance - December 31	<u>\$ 52,798</u>	<u>\$ 25,428</u>	<u>\$ 3,017</u>	<u>\$ 1,162</u>	<u>\$ 63,075</u>	<u>\$ 392,966</u>

TOWN OF BROWNSTOWN  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

General infrastructure assets are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

	<u>12-31-06</u>
	<u>Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 27,061
Infrastructure	750,000
Buildings	245,652
Improvements other than buildings	603,484
Machinery and equipment	<u>571,742</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 2,197,939</u>
 Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 74,621
Infrastructure	22,083
Buildings	408,472
Improvements other than buildings	5,712,226
Machinery and equipment	<u>584,744</u>
 Total Wastewater Utility capital assets	 <u>6,802,146</u>
 Total business-type activities capital assets	 <u>\$ 6,802,146</u>

TOWN OF BROWNSTOWN  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Swimming pool	\$ 225,000	\$ 40,000
Police car	12,416	6,060
Pumper truck	34,708	16,941
Bonds payable:		
General obligation bonds:		
1999 Stormwater project	<u>235,000</u>	<u>13,500</u>
Total governmental activities long-term debt	<u>\$ 507,124</u>	<u>\$ 76,501</u>
Business-type Activities:		
Wastewater Utility		
Notes and loans payable:		
2000 State revolving loan	<u>\$ 3,605,000</u>	<u>\$ 180,000</u>

TOWN OF BROWNSTOWN  
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Cumulative Fire Special Cemetery	2006 2006	\$ 1,070 13,386

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

ERRORS ON CLAIMS

The following deficiency was noted on claims during the audit period:

Some claims or invoices were not accompanied by evidence in support of the receipt of goods or services.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF BROWNSTOWN, JACKSON COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Brownstown (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2006. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2006.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Town's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 13, 2007

TOWN OF BROWNSTOWN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended December 31, 2005 and 2006

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-05	Total Federal Awards Expended 12-31-06
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office of Rural Affairs				
CDBG - Entitlement and (HUD Administered) Small Cities Cluster				
Community Development Block Grants/Small Cities Program	14.219			
Community Focus Fund Planning Grant		PL-04-038	\$ 12,000	\$ 8,000
Community Development Block Grants/State's Program	14.228			
Community Focus Fund Grant		CF-05-225	-	500,000
Total for federal grantor agency			<u>12,000</u>	<u>508,000</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Direct Grant				
Bulletproof Vest Partnership Program	16.607		295	-
Total federal awards expended			<u>\$ 12,295</u>	<u>\$ 508,000</u>

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

TOWN OF BROWNSTOWN  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Brownstown (Town) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 the Indiana Code (IC 5-11-1 et seq.), audits of Towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF BROWNSTOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grants/State's Program

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

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF BROWNSTOWN  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF BROWNSTOWN  
EXIT CONFERENCE

The contents of this report were discussed on June 13, 2007, with Rebecka Fee, Clerk-Treasurer.