

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, 2007 to December 31, 2009



FILED
11/15/2010

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Tammy Beasley

01-01-07 to 12-31-10

President of the
Town Council

Jeff Laffoon
Rex Chapman
Jeff Laffoon

01-01-07 to 12-31-08
01-01-09 to 12-31-09
01-01-10 to 12-31-10



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 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, 2007 to December 31, 2009. 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, 2007, 2008, and 2009, 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

September 2, 2010

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, 2007, 2008, And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 164,376	\$ 292,063	\$ 247,430	\$ 209,009
Motor Vehicle Highway	54,934	54,721	74,954	34,701
Local Road and Street	2,820	5,080	2,782	5,118
Park and Recreation	1,835	339	-	2,174
Law Enforcement Continuing Education	713	130	-	843
Community Center Donation	292	10,123	3,384	7,031
Community Center Rental	870	1,525	1,171	1,224
Landfill Tipping Fees	146,461	173,339	237,330	82,470
Interest	5,563	2,476	-	8,039
Cumulative Capital Improvement	25,468	3,730	-	29,198
Levy Excess	4,507	-	4,507	-
Proprietary Funds:				
Water Utility - Operating	35,690	134,736	109,553	60,873
Water Utility - Bond and Interest	9,189	35,702	41,363	3,528
Water Utility - Depreciation	52,432	-	12,359	40,073
Water Utility - Customer Deposit	2,900	800	650	3,050
Water Utility - Reserve	48,430	-	-	48,430
Wastewater Utility - Operating	18,296	166,615	125,255	59,656
Wastewater Utility - Bond and Interest	3,059	33,605	36,664	-
Wastewater Utility - Depreciation	22,356	-	3,441	18,915
Wastewater Utility - Reserve	41,388	-	41,388	-
Fiduciary Fund:				
Payroll	5,039	160,994	160,852	5,181
Totals	<u>\$ 646,618</u>	<u>\$ 1,075,978</u>	<u>\$ 1,103,083</u>	<u>\$ 619,513</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 209,009	\$ 178,263	\$ 253,244	\$ 134,028
Motor Vehicle Highway	34,701	105,601	122,040	18,262
Local Road and Street	5,118	4,244	7,377	1,985
Park and Recreation	2,174	382	-	2,556
Law Enforcement Continuing Education	843	260	-	1,103
Community Center Donation	7,031	37	243	6,825
Community Center Rental	1,224	2,075	320	2,979
Landfill Tipping Fees	82,470	217,830	201,033	99,267
Museum	-	19,356	-	19,356
Interest	8,039	2,410	-	10,449
Cumulative Capital Improvement	29,198	23,454	20,000	32,652
Levy Excess	-	3,220	3,220	-
Proprietary Funds:				
Water Utility - Operating	60,873	129,954	111,772	79,055
Water Utility - Bond and Interest	3,528	26,072	24,780	4,820
Water Utility - Depreciation	40,073	-	-	40,073
Water Utility - Customer Deposit	3,050	900	900	3,050
Water Utility - Reserve	48,430	-	-	48,430
Wastewater Utility - Operating	59,656	149,402	130,714	78,344
Wastewater Utility - Depreciation	18,915	-	-	18,915
Fiduciary Fund:				
Payroll	5,181	167,850	167,820	5,211
Totals	<u>\$ 619,513</u>	<u>\$ 1,031,310</u>	<u>\$ 1,043,463</u>	<u>\$ 607,360</u>

The accompanying notes are an integral part of the financial information.

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, 2007, 2008, And 2009
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 134,028	\$ 338,719	\$ 267,959	\$ 204,788
Motor Vehicle Highway	18,262	110,780	59,357	69,685
Local Road and Street	1,985	3,955	3,292	2,648
Park and Recreation	2,556	644	-	3,200
Law Enforcement Continuing Education	1,103	450	-	1,553
Rainy Day	-	2,979	-	2,979
Community Center Donation	6,825	37	960	5,902
Community Center Rental	2,979	2,030	1,186	3,823
Landfill Tipping Fees	99,267	173,778	125,037	148,008
Museum	19,356	17,510	-	36,866
Interest	10,449	2,181	-	12,630
Cumulative Capital Improvement	32,652	3,257	-	35,909
Downtown Revitalization Project	-	592,892	460,309	132,583
Downtown Revitalization Project - Retainage	-	36,434	-	36,434
Proprietary Funds:				
Water Utility - Operating	79,055	128,374	117,586	89,843
Water Utility - Bond and Interest	4,820	28,670	28,880	4,610
Water Utility - Depreciation	40,073	-	-	40,073
Water Utility - Customer Deposit	3,050	800	800	3,050
Water Utility - Reserve	48,430	-	-	48,430
Wastewater Utility - Operating	78,344	130,086	105,594	102,836
Wastewater Utility - Depreciation	18,915	-	-	18,915
Fiduciary Fund:				
Payroll	5,211	174,329	174,052	5,488
Totals	<u>\$ 607,360</u>	<u>\$ 1,747,905</u>	<u>\$ 1,345,012</u>	<u>\$ 1,010,253</u>

The accompanying notes are an integral part of the financial information.

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, culture and recreation, water treatment and distribution, waste-water collection and treatment, 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.

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.

Note 7. Subsequent Event

On June 2, 2010, the Brook Town Council entered into a contract with Hamstra Builders, Inc., for \$739,778 to construct a new fire station. This project is being funded in part through a \$500,000 federally-funded CDBG Community Focus Fund Grant. The remaining costs of the project will be paid from local funds.

TOWN OF BROOK
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
Loans payable:		
2002 Improvements	\$ 66,649	\$ 18,000
Revenue bonds:		
1994 Improvements	<u>110,000</u>	<u>27,660</u>
Total business-type activities debt	<u>\$ 176,649</u>	<u>\$ 45,660</u>

TOWN OF BROOK
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

An Annual Report for 2009 was not presented for audit. The Annual Reports for 2007 and 2008 were presented for audit; however, several sections relating to disbursements by fund, cash and investments at year-end, intergovernmental expenditures, federal and state grant receipts and disbursements, capital assets, and financial assistance to nongovernmental entities were incomplete. A similar comment was contained in the prior Report B29890.

IC 5-11-1-4 indicates that each local governmental unit, entity or instrumentality is required to file a financial report covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision.

OLD OUTSTANDING CHECKS

Our review of the bank reconcilements as of December 31, 2009, revealed several checks outstanding in excess of two years. A similar comment was contained in the prior Report B29890.

IC 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."

IC 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."

IC 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."

TOWN OF BROOK
EXAMINATION RESULTS AND COMMENTS
(Continued)

CASH DISBURSEMENTS

Disbursements were not always made by check. Examples are several automatic bank withdrawals to a software vendor totaling \$1,078.34. A similar comment was contained in the prior Report B29890.

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)

CAPITAL ASSET RECORDS

The Town and its Utilities do not maintain sufficient detailed records of capital assets. Records providing historical costs for the capital assets of the Town and its Utilities were not available. A similar comment was contained in the prior Report B29890.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. 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)

DELINQUENT ACCOUNTS RECEIVABLE

The Town has established a 90 day shutoff policy for delinquent customers. The Town did not always shut off delinquent customers as required by the ordinance. A Town Council member had an outstanding balance over the 90 day limit. A similar comment was contained in the prior Report B29890.

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)

DONATIONS

From January 1, 2007 through December 31, 2009, the Landfill Tipping Fee Fund donated \$40,083 to the Brook Chamber of Commerce; \$14,154 to the Brook Volunteer Fire Department; \$10,498 to the Brook Youth Program; \$3,000 to the Goodland Preservation Fund; \$500 to the Brook Christian Church (Food Pantry); and \$100 to the Brook Community Club.

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF BROOK
EXAMINATION RESULTS AND COMMENTS
(Continued)

OFFICIAL BOND

The following official bond has not been filed in the Office of the County Recorder since 2003: Clerk-Treasurer. .

IC 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties have not been recorded with the County Recorder nor have they been certified to the County Auditor which would result in a lien against the property.

IC 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor; and
 - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent.

(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . .

(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May"

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$41.92 were paid to the Indiana Department of Revenue on February 12, 2007, related to the gross income tax return from the calendar year 2002.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

TOWN OF BROOK
EXAMINATION RESULTS AND COMMENTS
(Continued)

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS

In numerous instances, receipts were deposited later than the next business day.

IC 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

TOWN OF BROOK
EXIT CONFERENCE

The contents of this report were discussed on September 2, 2010, with Jeff Laffoon, President of the Town Council, and Tammy Beasley, Clerk-Treasurer. The officials concurred with our findings.