

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

AUDIT REPORT

OF

TOWN OF BROOKSTON

WHITE COUNTY, INDIANA

January 1, 2009 to December 31, 2010



FILED
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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Ginger E. Brown	01-01-08 to 12-31-11
President of the Town Council	Joseph E. Butz	01-01-09 to 12-31-11
Superintendent of Utilities	Max Eldridge	01-01-09 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE TOWN OF BROOKSTON, WHITE COUNTY, INDIANA

We have audited the accompanying financial statement(s) of the Town of Brookston (Town), for the years ended December 31, 2009 and 2010. These financial statement(s) are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statement(s) based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement(s) are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement(s). 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 opinion(s).

As discussed in Note 1, the Town prepares its financial statement(s) on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statement(s) referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated April 14, 2011, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement(s). 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,

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

Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement(s). Such information has been subjected to the auditing procedures applied in the audit of the financial statement(s) and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement(s) taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statement(s) that collectively comprise the Town's financial statement(s). The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement(s). The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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 financial statement(s) and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town's management, the Town Board 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

April 14, 2011



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF BROOKSTON, WHITE COUNTY, INDIANA

We have audited the financial statement(s) of the Town of Brookston (Town), for the years ended December 31, 2009 and 2010, and have issued our report thereon dated April 14, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion(s) on the financial statement(s), but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement(s) will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2010-1 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statement(s) are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement(s) amounts. However, providing an opinion on

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

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 or other matters that are required to be reported under Government Auditing Standards.

The Town's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, Town Board 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

April 14, 2011

FINANCIAL STATEMENT(S)

TOWN OF BROOKSTON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
REGULATORY BASIS
For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General	\$ 83,859	\$ 250,640	\$ 253,180	\$ 81,319
Motor Vehicle Highway	22,382	108,490	112,366	18,506
Local Road And Street	11,723	6,074	6,000	11,797
Bicentennial Donation Fund	534	5	-	539
Law Enforcement Continuing Ed	9,348	2,028	9,551	1,825
Riverboat	24,914	10,745	10,000	25,659
Fire Station Grant Fund	-	2,000	-	2,000
Park Donation	2,425	40	805	1,660
Heart To Heart Beautification	-	500	500	-
Special Deposit Fund	1,343	-	-	1,343
Community Van Gift Fund	9,069	1,006	-	10,075
Centurytel	554	-	554	-
Rainy Day	16,212	5,395	9,000	12,607
Development Guide	1,200	-	-	1,200
Cumulative Capl Imprv Cigarette Tax	10,653	5,264	6,000	9,917
Donation (Capital Project)	198,203	2,133	-	200,336
Cedit Capital Projects	40,825	20,000	16,000	44,825
Payroll Withholding-Federal	-	23,128	23,128	-
Indiana Gross	1,279	11,749	11,673	1,355
Social Security	-	32,975	32,975	-
Insurance-Other	1,442	23,111	21,707	2,846
Payroll Withholding-Medicare	-	7,712	7,712	-
Electric Utility-Operating	279,202	1,173,757	1,043,111	409,848
Electric Utility-Deprec/Improve	52,446	4,740	-	57,186
Electric Utility-Customer Deposit	35,578	5,350	4,110	36,818
Electric Utility-Debt Reserve	66,301	2,000	24,000	44,301
Wastewater Utility-Operating	69,241	305,890	309,743	65,388
Wastewater Util-Bond And Interest	1,473	145,219	145,166	1,526
Wastewater Utility-Deprec/Improve	21,851	1,441	3,558	19,734
Wastewater Utility-Debt Reserve	159,025	23,274	-	182,299
Water Utility-Operating	140,724	319,620	299,630	160,714
Water Utility-Bond And Interest	137,714	78,984	78,700	137,998
Water Utility-Depreciation/Improve	102,248	-	-	102,248
Water Utility-Customer Deposit	20,255	5,794	2,650	23,399
Water Utility-Construction	2,657	10	2,667	-
Water Utility-Other #1	37,083	61,331	61,209	37,205
Water Utility-Other #2	107,866	15,743	-	123,609
Totals	<u>\$ 1,669,629</u>	<u>\$ 2,656,148</u>	<u>\$ 2,495,695</u>	<u>\$ 1,830,082</u>

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

TOWN OF BROOKSTON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General Fund	\$ 81,319	\$ 400,771	\$ 249,131	\$ 232,959
Mvh	18,506	152,041	126,160	44,387
L R & S	11,797	6,211	-	18,008
Park Donation	1,660	105	-	1,765
Storm Sewer Grant	-	678,245	627,764	50,481
Local Law Enf Cont Ed	1,825	827	1,199	1,453
River Boat	25,659	10,745	10,000	26,404
Bicentennial Donation Fund	539	9	-	548
Juanita Waugh Park	-	6,407	374	6,033
Downtown Revital. Grant	-	50,000	50,000	-
Community Van Gift Fund	10,075	663	-	10,738
Rainy Day Fund	12,607	9,800	10,000	12,407
Development Guide Fund	1,200	-	-	1,200
Cedit	44,825	21,442	34,000	32,267
Levy Excess Fund	-	5,564	-	5,564
Fire Station Grant Fund	2,000	-	-	2,000
Wood & South St Fund	200,336	3,160	-	203,496
Special Deposit Fund	1,343	-	-	1,343
Cci	9,917	5,028	6,000	8,945
Federal Withholding	-	20,808	20,808	-
Indiana Gross	1,355	11,935	11,962	1,328
Social Security	-	32,055	32,055	-
Insurance	2,846	22,240	22,115	2,971
Medicare	-	7,497	7,497	-
Garnish	-	2,924	2,924	-
Electric Operating	409,848	1,188,679	998,442	600,085
Light Depreciation	57,186	4,740	12,435	49,491
Electric Meter Deposit	36,818	12,112	6,002	42,928
Electric Cash Reserve	44,301	26,000	-	70,301
Wastewater Operating	65,388	306,380	296,922	74,846
Wastewater Sinking	1,526	146,494	146,455	1,565
Wastewater Depreciation	19,734	1,440	17,897	3,277
Wastewater Debt Serv.Res.	182,299	-	-	182,299
Water Operating	160,714	318,850	299,268	180,296
Water Sinking	137,998	80,662	80,490	138,170
Waterworks Improvement	102,248	-	11,139	91,109
Water Meter Deposit	23,399	16,500	6,330	33,569
Bny-Water Sinking Fund	37,205	61,179	61,165	37,219
Bny-Debt Service Reserve	123,609	12,542	-	136,151
Totals	<u>\$ 1,830,082</u>	<u>\$ 3,624,055</u>	<u>\$ 3,148,534</u>	<u>\$ 2,305,603</u>

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

TOWN OF BROOKSTON
NOTES TO FINANCIAL STATEMENT(S)

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Council-Mayor Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement(s) present(s) the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF BROOKSTON
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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

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

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

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

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

TOWN OF BROOKSTON
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF BROOKSTON
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Note 4. Deposits and Investments

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

State statutes authorize the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

Note 6. Pension Plan(s)

A. *Public Employees' Retirement Fund*

Plan Description

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

TOWN OF BROOKSTON
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town of Brookston's Annual Report(s) can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

TOWN OF BROOKSTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009

	General	Motor Vehicle Highway	Local Road And Street	Bicentennial Donation Fund	Law Enforcement Continuing Ed	Riverboat	Fire Station Grant Fund
Cash and investments - beginning	\$ 83,859	\$ 22,382	\$ 11,723	\$ 534	\$ 9,348	\$ 24,914	\$ -
Receipts:							
Taxes	129,712	29,751	-	-	-	-	-
Licenses and permits	1,163	-	-	-	-	-	-
Intergovernmental	96,416	53,282	6,074	-	-	10,745	-
Charges for services	60	-	-	-	734	-	-
Fines and forfeits	9,682	-	-	-	1,294	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	13,607	25,457	-	5	-	-	2,000
Total receipts	<u>250,640</u>	<u>108,490</u>	<u>6,074</u>	<u>5</u>	<u>2,028</u>	<u>10,745</u>	<u>2,000</u>
Disbursements:							
Personal services	102,907	61,849	-	-	-	-	-
Supplies	19,896	16,672	-	-	327	-	-
Other services and charges	130,377	33,845	6,000	-	9,224	10,000	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>253,180</u>	<u>112,366</u>	<u>6,000</u>	<u>-</u>	<u>9,551</u>	<u>10,000</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(2,540)</u>	<u>(3,876)</u>	<u>74</u>	<u>5</u>	<u>(7,523)</u>	<u>745</u>	<u>2,000</u>
Cash and investments - ending	<u>\$ 81,319</u>	<u>\$ 18,506</u>	<u>\$ 11,797</u>	<u>\$ 539</u>	<u>\$ 1,825</u>	<u>\$ 25,659</u>	<u>\$ 2,000</u>

TOWN OF BROOKSTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Park Donation	Heart To Heart Beautification	Special Deposit Fund	Community Van Gift Fund	Centurytel	Rainy Day	Development Guide
Cash and investments - beginning	\$ 2,425	\$ -	\$ 1,343	\$ 9,069	\$ 554	\$ 16,212	\$ 1,200
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	5,395	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	40	500	-	1,006	-	-	-
Total receipts	40	500	-	1,006	-	5,395	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	805	-	-	-	-	-	-
Other services and charges	-	500	-	-	554	9,000	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	805	500	-	-	554	9,000	-
Excess (deficiency) of receipts over disbursements	(765)	-	-	1,006	(554)	(3,605)	-
Cash and investments - ending	\$ 1,660	\$ -	\$ 1,343	\$ 10,075	\$ -	\$ 12,607	\$ 1,200

TOWN OF BROOKSTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Cumulative Capl Imprv Cigarette Tax	Donation (Capital Project)	Cedit Capital Projects	Payroll Withholding-Federal	Indiana Gross	Social Security
Cash and investments - beginning	\$ 10,653	\$ 198,203	\$ 40,825	\$ -	\$ 1,279	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	5,264	-	20,000	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	2,133	-	23,128	11,749	32,975
Total receipts	<u>5,264</u>	<u>2,133</u>	<u>20,000</u>	<u>23,128</u>	<u>11,749</u>	<u>32,975</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	6,000	-	16,000	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	23,128	11,673	32,975
Total disbursements	<u>6,000</u>	<u>-</u>	<u>16,000</u>	<u>23,128</u>	<u>11,673</u>	<u>32,975</u>
Excess (deficiency) of receipts over disbursements	<u>(736)</u>	<u>2,133</u>	<u>4,000</u>	<u>-</u>	<u>76</u>	<u>-</u>
Cash and investments - ending	<u>\$ 9,917</u>	<u>\$ 200,336</u>	<u>\$ 44,825</u>	<u>\$ -</u>	<u>\$ 1,355</u>	<u>\$ -</u>

TOWN OF BROOKSTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Insurance-Other	Payroll Withholding-Medicare	Electric Utility-Operating	Electric Utility-Deprec/Improve	Electric Utility-Customer Deposit	Electric Utility-Debt Reserve
Cash and investments - beginning	\$ 1,442	\$ -	\$ 279,202	\$ 52,446	\$ 35,578	\$ 66,301
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	1,080,681	-	-	-
Penalties	-	-	8,256	-	-	-
Other receipts	23,111	7,712	84,820	4,740	5,350	2,000
Total receipts	<u>23,111</u>	<u>7,712</u>	<u>1,173,757</u>	<u>4,740</u>	<u>5,350</u>	<u>2,000</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	46,639	-	-	-
Utility operating expenses	-	-	895,234	-	4,110	-
Other disbursements	21,707	7,712	101,238	-	-	24,000
Total disbursements	<u>21,707</u>	<u>7,712</u>	<u>1,043,111</u>	<u>-</u>	<u>4,110</u>	<u>24,000</u>
Excess (deficiency) of receipts over disbursements	<u>1,404</u>	<u>-</u>	<u>130,646</u>	<u>4,740</u>	<u>1,240</u>	<u>(22,000)</u>
Cash and investments - ending	<u>\$ 2,846</u>	<u>\$ -</u>	<u>\$ 409,848</u>	<u>\$ 57,186</u>	<u>\$ 36,818</u>	<u>\$ 44,301</u>

TOWN OF BROOKSTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Wastewater Utility-Deprec/Improve	Wastewater Utility-Debt Reserve	Water Utility-Operating	Water Utility-Bond And Interest
Cash and investments - beginning	\$ 69,241	\$ 1,473	\$ 21,851	\$ 159,025	\$ 140,724	\$ 137,714
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	265,494	-
Penalties	614	-	-	-	2,835	-
Other receipts	305,276	145,219	1,441	23,274	51,291	78,984
Total receipts	<u>305,890</u>	<u>145,219</u>	<u>1,441</u>	<u>23,274</u>	<u>319,620</u>	<u>78,984</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	78,190
Capital outlay	20,002	-	3,558	-	6,461	-
Utility operating expenses	114,631	145,166	-	-	78,763	-
Other disbursements	175,110	-	-	-	214,406	510
Total disbursements	<u>309,743</u>	<u>145,166</u>	<u>3,558</u>	<u>-</u>	<u>299,630</u>	<u>78,700</u>
Excess (deficiency) of receipts over disbursements	<u>(3,853)</u>	<u>53</u>	<u>(2,117)</u>	<u>23,274</u>	<u>19,990</u>	<u>284</u>
Cash and investments - ending	<u>\$ 65,388</u>	<u>\$ 1,526</u>	<u>\$ 19,734</u>	<u>\$ 182,299</u>	<u>\$ 160,714</u>	<u>\$ 137,998</u>

TOWN OF BROOKSTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Water Utility-Depreciation/Improve	Water Utility-Customer Deposit	Water Utility-Construction	Water Utility-Other #1	Water Utility-Other #2	Totals
Cash and investments - beginning	\$ 102,248	\$ 20,255	\$ 2,657	\$ 37,083	\$ 107,866	\$ 1,669,629
Receipts:						
Taxes	-	-	-	-	-	159,463
Licenses and permits	-	-	-	-	-	1,163
Intergovernmental	-	-	-	-	-	197,176
Charges for services	-	-	-	-	-	794
Fines and forfeits	-	-	-	-	-	10,976
Utility fees	-	-	-	148	-	1,346,323
Penalties	-	-	-	-	-	11,705
Other receipts	-	5,794	10	61,183	15,743	928,548
Total receipts	-	5,794	10	61,331	15,743	2,656,148
Disbursements:						
Personal services	-	-	-	-	-	164,756
Supplies	-	-	-	-	-	37,700
Other services and charges	-	-	-	-	-	221,500
Debt service - principal and interest	-	-	-	61,209	-	139,399
Capital outlay	-	-	-	-	-	76,660
Utility operating expenses	-	2,650	-	-	-	1,240,554
Other disbursements	-	-	2,667	-	-	615,126
Total disbursements	-	2,650	2,667	61,209	-	2,495,695
Excess (deficiency) of receipts over disbursements	-	3,144	(2,657)	122	15,743	160,453
Cash and investments - ending	\$ 102,248	\$ 23,399	\$ -	\$ 37,205	\$ 123,609	\$ 1,830,082

TOWN OF BROOKSTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General Fund	Mvh	L R & S	Park Donation	Storm Sewer Grant	Local Law Enf Cont Ed	River Boat
Cash and investments - beginning	\$ 81,319	\$ 18,506	\$ 11,797	\$ 1,660	\$ -	\$ 1,825	\$ 25,659
Receipts:							
Taxes	279,027	93,773	-	-	-	-	-
Licenses and permits	345	-	-	-	-	-	-
Intergovernmental	107,100	57,564	6,211	-	678,245	-	10,745
Charges for services	90	600	-	105	-	827	-
Fines and forfeits	2,155	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	12,054	104	-	-	-	-	-
Total receipts	<u>400,771</u>	<u>152,041</u>	<u>6,211</u>	<u>105</u>	<u>678,245</u>	<u>827</u>	<u>10,745</u>
Disbursements:							
Personal services	90,210	57,739	-	-	-	-	-
Supplies	20,197	16,565	-	-	-	160	-
Other services and charges	135,010	26,639	-	-	627,764	1,039	10,000
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	3,714	25,217	-	-	-	-	-
Total disbursements	<u>249,131</u>	<u>126,160</u>	<u>-</u>	<u>-</u>	<u>627,764</u>	<u>1,199</u>	<u>10,000</u>
Excess (deficiency) of receipts over disbursements	<u>151,640</u>	<u>25,881</u>	<u>6,211</u>	<u>105</u>	<u>50,481</u>	<u>(372)</u>	<u>745</u>
Cash and investments - ending	<u>\$ 232,959</u>	<u>\$ 44,387</u>	<u>\$ 18,008</u>	<u>\$ 1,765</u>	<u>\$ 50,481</u>	<u>\$ 1,453</u>	<u>\$ 26,404</u>

TOWN OF BROOKSTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Bicentennial Donation Fund	Juanita Waugh Park	Downtown Revital. Grant	Community Van Gift Fund	Rainy Day Fund	Development Guide Fund	Credit
Cash and investments - beginning	\$ 539	\$ -	\$ -	\$ 10,075	\$ 12,607	\$ 1,200	\$ 44,825
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	50,000	-	9,800	-	21,442
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	9	6,407	-	663	-	-	-
Total receipts	9	6,407	50,000	663	9,800	-	21,442
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	374	-	-	-	-	-
Other services and charges	-	-	50,000	-	10,000	-	34,000
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	374	50,000	-	10,000	-	34,000
Excess (deficiency) of receipts over disbursements	9	6,033	-	663	(200)	-	(12,558)
Cash and investments - ending	\$ 548	\$ 6,033	\$ -	\$ 10,738	\$ 12,407	\$ 1,200	\$ 32,267

TOWN OF BROOKSTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Levy Excess Fund	Fire Station Grant Fund	Wood & South St Fund	Special Deposit Fund	Cci	Federal Withholding	Indiana Gross
Cash and investments - beginning	\$ -	\$ 2,000	\$ 200,336	\$ 1,343	\$ 9,917	\$ -	\$ 1,355
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	633	-	-	-	5,028	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	4,931	-	3,160	-	-	20,808	11,935
Total receipts	<u>5,564</u>	<u>-</u>	<u>3,160</u>	<u>-</u>	<u>5,028</u>	<u>20,808</u>	<u>11,935</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	6,000	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	20,808	11,962
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>20,808</u>	<u>11,962</u>
Excess (deficiency) of receipts over disbursements	<u>5,564</u>	<u>-</u>	<u>3,160</u>	<u>-</u>	<u>(972)</u>	<u>-</u>	<u>(27)</u>
Cash and investments - ending	<u>\$ 5,564</u>	<u>\$ 2,000</u>	<u>\$ 203,496</u>	<u>\$ 1,343</u>	<u>\$ 8,945</u>	<u>\$ -</u>	<u>\$ 1,328</u>

TOWN OF BROOKSTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Social Security	Insurance	Medicare	Garnish	Electric Operating	Light Depreciation	Electric Meter Deposit
Cash and investments - beginning	\$ -	\$ 2,846	\$ -	\$ -	\$ 409,848	\$ 57,186	\$ 36,818
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	1,089,011	-	-
Penalties	-	-	-	-	7,883	-	-
Other receipts	32,055	22,240	7,497	2,924	91,785	4,740	12,112
Total receipts	<u>32,055</u>	<u>22,240</u>	<u>7,497</u>	<u>2,924</u>	<u>1,188,679</u>	<u>4,740</u>	<u>12,112</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	21,771	-	-
Utility operating expenses	-	-	-	-	876,608	-	6,002
Other disbursements	32,055	22,115	7,497	2,924	100,063	12,435	-
Total disbursements	<u>32,055</u>	<u>22,115</u>	<u>7,497</u>	<u>2,924</u>	<u>998,442</u>	<u>12,435</u>	<u>6,002</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>125</u>	<u>-</u>	<u>-</u>	<u>190,237</u>	<u>(7,695)</u>	<u>6,110</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 2,971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 600,085</u>	<u>\$ 49,491</u>	<u>\$ 42,928</u>

TOWN OF BROOKSTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Electric Cash Reserve	Wastewater Operating	Wastewater Sinking	Wastewater Depreciation	Wastewater Debt Serv.Res.	Water Operating
Cash and investments - beginning	\$ 44,301	\$ 65,388	\$ 1,526	\$ 19,734	\$ 182,299	\$ 160,714
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	294,547	-	-	-	290,673
Penalties	-	7,677	-	-	-	2,562
Other receipts	26,000	4,156	146,494	1,440	-	25,615
Total receipts	<u>26,000</u>	<u>306,380</u>	<u>146,494</u>	<u>1,440</u>	<u>-</u>	<u>318,850</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	146,455	-	-	-
Capital outlay	-	32,319	-	-	-	32,293
Utility operating expenses	-	113,282	-	-	-	88,903
Other disbursements	-	151,321	-	17,897	-	178,072
Total disbursements	<u>-</u>	<u>296,922</u>	<u>146,455</u>	<u>17,897</u>	<u>-</u>	<u>299,268</u>
Excess (deficiency) of receipts over disbursements	<u>26,000</u>	<u>9,458</u>	<u>39</u>	<u>(16,457)</u>	<u>-</u>	<u>19,582</u>
Cash and investments - ending	<u>\$ 70,301</u>	<u>\$ 74,846</u>	<u>\$ 1,565</u>	<u>\$ 3,277</u>	<u>\$ 182,299</u>	<u>\$ 180,296</u>

TOWN OF BROOKSTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Water Sinking	Waterworks Improvement	Water Meter Deposit	Bny-Water Sinking Fund	Bny-Debt Service Reserve	Totals
Cash and investments - beginning	\$ 137,998	\$ 102,248	\$ 23,399	\$ 37,205	\$ 123,609	\$ 1,830,082
Receipts:						
Taxes	-	-	-	-	-	372,800
Licenses and permits	-	-	-	-	-	345
Intergovernmental	-	-	-	-	-	946,768
Charges for services	-	-	-	-	-	1,622
Fines and forfeits	-	-	-	-	-	2,155
Utility fees	-	-	-	-	-	1,674,231
Penalties	-	-	-	-	-	18,122
Other receipts	80,662	-	16,500	61,179	12,542	608,012
Total receipts	<u>80,662</u>	<u>-</u>	<u>16,500</u>	<u>61,179</u>	<u>12,542</u>	<u>3,624,055</u>
Disbursements:						
Personal services	-	-	-	-	-	147,949
Supplies	-	-	-	-	-	37,296
Other services and charges	-	-	-	-	-	900,452
Debt service - principal and interest	80,490	-	-	61,165	-	288,110
Capital outlay	-	-	-	-	-	86,383
Utility operating expenses	-	-	6,330	-	-	1,091,125
Other disbursements	-	11,139	-	-	-	597,219
Total disbursements	<u>80,490</u>	<u>11,139</u>	<u>6,330</u>	<u>61,165</u>	<u>-</u>	<u>3,148,534</u>
Excess (deficiency) of receipts over disbursements	<u>172</u>	<u>(11,139)</u>	<u>10,170</u>	<u>14</u>	<u>12,542</u>	<u>475,521</u>
Cash and investments - ending	<u>\$ 138,170</u>	<u>\$ 91,109</u>	<u>\$ 33,569</u>	<u>\$ 37,219</u>	<u>\$ 136,151</u>	<u>\$ 2,305,603</u>

TOWN OF BROOKSTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2010

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Buildings	\$ 941,824
Machinery and equipment	351,500
Infrastructure	<u>845,459</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 2,138,783</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Buildings	\$ 316,795
Improvements other than buildings	298,116
Machinery and equipment	<u>989,342</u>
Total Water Utility capital assets	<u>1,604,253</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	25,000
Buildings	219,858
Improvements other than buildings	2,075,000
Machinery and equipment	<u>43,624</u>
Total Wastewater Utility capital assets	<u>2,363,482</u>
Electric Utility:	
Capital assets, not being depreciated:	
Machinery and equipment	<u>65,112</u>
Total business-type activities capital assets	<u>\$ 4,032,847</u>

TOWN OF BROOKSTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

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:		
Revenue bonds:		
Water Improvement bonds	\$ 215,000	\$ 5,751
Water bonds (SRF Loan)	<u>1,370,000</u>	<u>61,121</u>
Total Water Utility	<u>1,585,000</u>	<u>66,872</u>
Wastewater Utility:		
Revenue bonds:		
Wastewater bonds (SRF Loan)	<u>1,732,000</u>	<u>72,673</u>
Total business-type activities debt	<u>\$ 3,317,000</u>	<u>\$ 139,545</u>

TOWN OF BROOKSTON
AUDIT RESULT(S) AND COMMENT(S)

LACK OF SEGREGATION OF DUTIES

We noted deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute a material weakness:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to town receipts, utility billings and collections, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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 BROOKSTON, WHITE COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Brookston (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 program(s) for the years ended December 31, 2009 and 2010. The Town's major federal program(s) is 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 its major federal program 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 of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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 program(s) for the years ended December 31, 2009 and 2010.

Internal Control Over Compliance

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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)

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Town's management, the Town Board and others within the entity, 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

April 14, 2011

TOWN OF BROOKSTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Years Ended December 31, 2009 and 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-10
U.S. HOUSING & URBAN DEVELOPMENT			
Pass-Through Indiana Office of Community and Rural Affairs			
CDBG – State –Administered Small Cities Program Cluster			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228		
		DR2-09-050	\$ 50,000
		DR2-09-008	<u>627,764</u>
Total for federal grantor agency			<u>677,764</u>
 Total federal awards expended			 <u><u>\$ 677,764</u></u>

The accompanying note(s) are an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF BROOKSTON
NOTE(S) TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Brookston (Town) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 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 BROOKSTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement(s):

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency(ies) identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency(ies) identified?	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:

Name of Federal Program or Cluster

CDBG – State Administered Small Cities Program Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
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TOWN OF BROOKSTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings

We noted a deficiency in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness:

LACK OF SEGREGATION OF DUTIES

Control activities should be selected and developed at various levels of the town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to town receipts, utility billings and collections, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to occur and remain undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF BROOKSTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

OFFICE OF CLERK-TREASURER
TOWN OF BROOKSTON, INC.

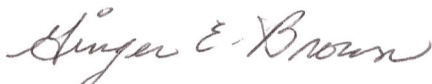
205 EAST THIRD STREET
P.O. BOX 238
BROOKSTON, INDIANA 47923

PH. (765) 563-3171
FAX (765) 563-6623

April 14, 2011

The management of the Town of Brookston have reviewed the Financial Statement Finding 2010-1 Internal Controls over Financial Transactions and Reporting, related to their audit for the period Jan. 1, 2009 to Dec. 31, 2010. We offer the following corrective actions:

1. Lack of Segregation of Duties- The Clerk-Treasurer's office will review their office procedures and attempt to institute duties that would involve, at least on a sample basis, reviews of the work being performed by each of the office employees. However, the Town is a very small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties in the business office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risk inherent with the current design of their business office.



Ginger E. Brown
Clerk-Treasurer

TOWN OF BROOKSTON
EXIT CONFERENCE

The contents of this report were discussed on April 14, 2011, with Ginger E. Brown, Clerk-Treasurer.