

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF BROWNSTOWN

JACKSON COUNTY, INDIANA

January 1, 2010 to December 31, 2010



**FILED**  
01/04/2012



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rebecka A. Fee (Vacant) W. David Willey	01-01-07 to 05-03-10 05-04-10 to 05-27-10 05-28-10 to 12-31-11
President of the Town Council	Leroy Warren James A. Phillips	01-01-10 to 03-20-11 03-21-11 to 12-31-11
Superintendent of Wastewater Utility	Scott Hunsucker	01-01-10 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statement of the Town of Brownstown (Town), for the period of January 1, 2010 to December 31, 2010. The Town's management is responsible for the financial statement. 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 statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statement 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 noted above is a different basis than that used in the prior year.

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

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

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

September 8, 2011

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## FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the Town. The financial statement and notes are presented as intended by the Town.

TOWN OF BROWNSTOWN  
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	\$ (13,562)	\$ 922,512	\$ 866,906	\$ 42,044
Petty Cash	50	-	-	50
Motor Vehicle Highway	92,770	264,960	233,468	124,262
Local Road And Street	75,199	13,456	4,500	84,155
Cemetery	38,398	49,039	49,037	38,400
Nonreverting Park And Recreation	14,716	10,600	25,315	1
Fire Donations Fund	89	-	-	89
Law Enforcement Continuing Education	10,313	1,721	30	12,004
Riverboat Wagering Tax Revenue	41,273	18,636	20,454	39,455
Drug Free Grant	(22)	-	-	(22)
Parks And Recreation	14,062	228,848	195,365	47,545
Park Donations	1,000	-	-	1,000
Building Better Community	(3,411)	9,100	7,900	(2,211)
Rainy Day Fund	36,124	11,158	28,600	18,682
Levy Excess	-	1,562	1,562	-
Criminal Justice-Operation Pullover	(3,500)	6,000	2,125	375
Police Donations Fund	2,000	8,016	7,504	2,512
Joint Fire Protection Board	2,269	65,930	67,021	1,178
Penalty Fund	6,184	1,300	6,081	1,403
Bond #2 - Storm Sewer Project	25,439	24,558	48,776	1,221
Debt Service-General (Pool)	7,560	61,082	45,848	22,794
Cumulative Capital Development	187,439	212,836	181,387	218,888
Cumulative Fire Special	35,061	22,250	21,079	36,232
County Economic Development Income Tax	46,186	71,413	101,000	16,599
Cumulative Capital Improvement	31,834	8,719	15,512	25,041
HUD Housing	16,208	-	16,208	-
Payroll	20,010	50,385	45,341	25,054
Payroll Clearing Accounts	(21,896)	210,344	226,136	(37,688)
Sewer Debt Service-Peoples Bank	266,940	113,475	41,398	339,017
Trash Service	8,189	127,724	131,463	4,450
Sewer Operating	296,135	691,294	812,485	174,944
Sewage Sinking Fund (Yellow)	100	-	-	100
Sewer Improvement	41,883	114	-	41,997
Totals	<u>\$ 1,275,040</u>	<u>\$ 3,207,032</u>	<u>\$ 3,202,501</u>	<u>\$ 1,279,571</u>

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

TOWN OF BROWNSTOWN  
NOTES TO FINANCIAL STATEMENT

**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 Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, general administrative services, wastewater, trash, and urban redevelopment and housing.

The accompanying financial statement presents 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 statement is 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 statement. 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 BROWNSTOWN  
NOTES TO FINANCIAL STATEMENT  
(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 statement. 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 BROWNSTOWN  
NOTES TO FINANCIAL STATEMENT  
(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 BROWNSTOWN  
NOTES TO FINANCIAL STATEMENT  
(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.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Report can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the Town which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the Town. It is presented as intended by the Town.

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

	General Fund	Petty Cash	Motor Vehicle Highway	Local Road And Street	Cemetery	Nonreverting Park And Recreation	Fire Donations Fund
Cash and investments - beginning	\$ (13,562)	\$ 50	\$ 92,770	\$ 75,199	\$ 38,398	\$ 14,716	\$ 89
Receipts:							
Taxes	429,777	-	107,994	-	14,935	-	-
Licenses and permits	-	-	40	-	-	-	-
Intergovernmental	214,127	-	83,145	13,456	1,038	-	-
Charges for services	-	-	-	-	31,850	10,600	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	278,608	-	73,781	-	1,216	-	-
Total receipts	<u>922,512</u>	<u>-</u>	<u>264,960</u>	<u>13,456</u>	<u>49,039</u>	<u>10,600</u>	<u>-</u>
Disbursements:							
Personal services	350,309	-	98,322	4,500	1,500	-	-
Supplies	33,925	-	15,000	-	45,887	9,457	-
Other services and charges	134,532	-	50,254	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	33,695	-	4,788	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	314,445	-	65,104	-	1,650	15,858	-
Total disbursements	<u>866,906</u>	<u>-</u>	<u>233,468</u>	<u>4,500</u>	<u>49,037</u>	<u>25,315</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>55,606</u>	<u>-</u>	<u>31,492</u>	<u>8,956</u>	<u>2</u>	<u>(14,715)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 42,044</u>	<u>\$ 50</u>	<u>\$ 124,262</u>	<u>\$ 84,155</u>	<u>\$ 38,400</u>	<u>\$ 1</u>	<u>\$ 89</u>

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

	Law Enforcement Continuing Education	Riverboat Wagering Tax Revenue	Drug Free Grant	Parks And Recreation	Park Donations	Building Better Community	Rainy Day Fund
Cash and investments - beginning	\$ 10,313	\$ 41,273	\$ (22)	\$ 14,062	\$ 1,000	\$ (3,411)	\$ 36,124
Receipts:							
Taxes	-	-	-	30,548	-	-	-
Licenses and permits	1,125	-	-	-	-	-	-
Intergovernmental	-	18,636	-	686	-	-	11,158
Charges for services	596	-	-	31,584	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	166,030	-	9,100	-
Total receipts	<u>1,721</u>	<u>18,636</u>	<u>-</u>	<u>228,848</u>	<u>-</u>	<u>9,100</u>	<u>11,158</u>
Disbursements:							
Personal services	-	-	-	90,045	-	7,900	-
Supplies	-	-	-	15,269	-	-	-
Other services and charges	-	-	-	24,947	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	20,454	-	-	-	-	28,600
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	30	-	-	65,104	-	-	-
Total disbursements	<u>30</u>	<u>20,454</u>	<u>-</u>	<u>195,365</u>	<u>-</u>	<u>7,900</u>	<u>28,600</u>
Excess (deficiency) of receipts over disbursements	<u>1,691</u>	<u>(1,818)</u>	<u>-</u>	<u>33,483</u>	<u>-</u>	<u>1,200</u>	<u>(17,442)</u>
Cash and investments - ending	<u>\$ 12,004</u>	<u>\$ 39,455</u>	<u>\$ (22)</u>	<u>\$ 47,545</u>	<u>\$ 1,000</u>	<u>\$ (2,211)</u>	<u>\$ 18,682</u>

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

	Levy Excess	Criminal Justice-Operation Pullover	Police Donations Fund	Joint Fire Protection Board	Penalty Fund	Bond #2 Storm Sewer Project	Debt Service-General (Pool)
Cash and investments - beginning	\$ -	\$ (3,500)	\$ 2,000	\$ 2,269	\$ 6,184	\$ 25,439	\$ 7,560
Receipts:							
Taxes	1,562	-	-	45,495	-	22,892	57,760
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	2,000	-	3,004	-	1,666	3,322
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	1,300	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	4,000	8,016	17,431	-	-	-
Total receipts	<u>1,562</u>	<u>6,000</u>	<u>8,016</u>	<u>65,930</u>	<u>1,300</u>	<u>24,558</u>	<u>61,082</u>
Disbursements:							
Personal services	-	2,125	-	16,848	-	-	-
Supplies	-	-	7,504	18,224	-	-	-
Other services and charges	-	-	-	30,377	5,706	-	-
Debt service - principal and interest	-	-	-	-	-	24,276	45,848
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,562	-	-	1,572	375	24,500	-
Total disbursements	<u>1,562</u>	<u>2,125</u>	<u>7,504</u>	<u>67,021</u>	<u>6,081</u>	<u>48,776</u>	<u>45,848</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>3,875</u>	<u>512</u>	<u>(1,091)</u>	<u>(4,781)</u>	<u>(24,218)</u>	<u>15,234</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 375</u>	<u>\$ 2,512</u>	<u>\$ 1,178</u>	<u>\$ 1,403</u>	<u>\$ 1,221</u>	<u>\$ 22,794</u>

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

	Cumulative Capital Development	Cumulative Fire Special	County Economic Development Income Tax	Cumulative Capital Improvement	Hud Housing	Payroll	Payroll Clearing Accounts
Cash and investments - beginning	\$ 187,439	\$ 35,061	\$ 46,186	\$ 31,834	\$ 16,208	\$ 20,010	\$ (21,896)
Receipts:							
Taxes	31,742	21,140	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	1,666	1,110	37,489	8,719	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	179,428	-	33,924	-	-	50,385	210,344
Total receipts	212,836	22,250	71,413	8,719	-	50,385	210,344
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	25,999	21,079	-	512	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	155,388	-	101,000	15,000	16,208	45,341	226,136
Total disbursements	181,387	21,079	101,000	15,512	16,208	45,341	226,136
Excess (deficiency) of receipts over disbursements	31,449	1,171	(29,587)	(6,793)	(16,208)	5,044	(15,792)
Cash and investments - ending	\$ 218,888	\$ 36,232	\$ 16,599	\$ 25,041	\$ -	\$ 25,054	\$ (37,688)

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

	Sewer Debt Service-Peoples Bank	Trash Service	Sewer Operating	Sewage Sinking Fund (Yellow)	Sewer Improvement	Totals
Cash and investments - beginning	\$ 266,940	\$ 8,189	\$ 296,135	\$ 100	\$ 41,883	\$ 1,275,040
Receipts:						
Taxes	-	-	-	-	-	763,845
Licenses and permits	-	-	-	-	-	1,165
Intergovernmental	-	-	-	-	-	401,222
Charges for services	-	-	-	-	-	74,630
Fines and forfeits	-	-	-	-	-	1,300
Utility fees	-	127,724	408,789	-	-	536,513
Other receipts	113,475	-	282,505	-	114	1,428,357
Total receipts	<u>113,475</u>	<u>127,724</u>	<u>691,294</u>	<u>-</u>	<u>114</u>	<u>3,207,032</u>
Disbursements:						
Personal services	-	-	-	-	-	571,549
Supplies	-	-	-	-	-	145,266
Other services and charges	-	-	-	-	-	245,816
Debt service - principal and interest	41,398	-	-	-	-	111,522
Capital outlay	-	-	49,657	-	-	184,784
Utility operating expenses	-	131,463	451,427	-	-	582,890
Other disbursements	-	-	311,401	-	-	1,360,674
Total disbursements	<u>41,398</u>	<u>131,463</u>	<u>812,485</u>	<u>-</u>	<u>-</u>	<u>3,202,501</u>
Excess (deficiency) of receipts over disbursements	<u>72,077</u>	<u>(3,739)</u>	<u>(121,191)</u>	<u>-</u>	<u>114</u>	<u>4,531</u>
Cash and investments - ending	<u>\$ 339,017</u>	<u>\$ 4,450</u>	<u>\$ 174,944</u>	<u>\$ 100</u>	<u>\$ 41,997</u>	<u>\$ 1,279,571</u>

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

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund/ Department
Capital lease:			
Swimming pool	\$ 70,000	\$ 48,376	Debt Service-General (Pool)
Notes and loans payable:			
2000 State revolving loan	2,855,000	284,823	Sewer Operating
Bonds payable:			
General obligation bonds:			
1999 Stormwater project	<u>177,000</u>	<u>24,408</u>	Bond #2 - Storm Sewer Project
Total debt	<u>\$ 3,102,000</u>	<u>\$ 357,607</u>	

TOWN OF BROWNSTOWN  
EXAMINATION RESULTS AND COMMENTS

**PENALTIES, INTEREST, AND OTHER CHARGES**

During the examination period, the Town was assessed numerous penalty and interest amounts by the Internal Revenue Service and Indiana Department of Revenue for either, the lack of filing, the incorrect filing, or the late filing and remittance of applicable taxes. Due to the erroneous reporting of some payroll taxes during 2006, 2007, 2008, and part of 2009, some reports were resubmitted and the assessed penalties and interest from prior years were not completely resolved until 2010 and 2011.

The following schedule summarizes the penalty and interest assessments that have been paid by the Town that have not been included in any prior report.

Agency	Type of Tax Remitted	Reporting Period	Amount	Responsible Official
Internal Revenue Service	Federal Income Tax	December 2007 to March 2008	\$ 604.33	Rebecka A. Fee
Indiana Department of Revenue	State Sales Tax	June 2008	36.13	Rebecka A. Fee
Indiana Department of Revenue	State and County Income Tax	Year 2006	697.71	Rebecka A. Fee
Indiana Department of Revenue	State and County Income Tax	Year 2007	2,140.04	Rebecka A. Fee
Indiana Department of Revenue	State and County Income Tax	Year 2008	2,563.32	Rebecka A. Fee
Indiana Department of Revenue	State and County Income Tax	January 2009 to September 2009	1,964.73	Rebecka A. Fee
Total for Rebecka A. Fee			<u>8,006.26</u>	
Indiana Department of Revenue	State and County Income Tax	October 2009 to December 2009	881.25	Cathy S. Roberts
Indiana Department of Revenue	State and County Income Tax	January 2010 to April 2010	886.77	Cathy S. Roberts
Total for Cathy S. Roberts			<u>1,768.02</u>	
Internal Revenue Service	Federal Income Tax	June 2010	790.43	W. David Willey
Indiana Department of Revenue	State and County Income Tax	May 2010 to December 2010	659.87	W. David Willey
Indiana Department of Revenue	State Sales Tax	June 2010	31.06	W. David Willey
Total for W. David Willey			<u>1,481.36</u>	
Total penalty and interest payments			<u>\$ 11,255.64</u>	

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.

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)

Rebecka A. Fee, former Clerk-Treasurer, has been requested to reimburse the Town of Brownstown \$8,006.26 for penalties and interest paid relating to her term of office up until October 15, 2009, at which time she did not return to the Town Hall and discontinued her Clerk-Treasurer duties. (See Summary, page 23)

TOWN OF BROWNSTOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**CONDITION OF RECORDS**

The following deficiencies, relating to the recordkeeping that were cited in the prior examination report, were again present during our period of examination:

1. Record balances were not reconciled to depository balances during the period.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

2. There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, and double postings of some receipts and disbursements.

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

**TEMPORARY LOANS**

During 2010, the County Economic Development Income Tax Fund made the following temporary loans: \$86,000 to the Parks and Recreation Fund; and \$15,000 to the Joint Fire Protection Board Fund.

On December 15, 2008, the Sewer Operating Fund made the following temporary loans: \$50,000 to the General Fund; \$25,000 to the Joint Fire Protection Board Fund; and \$5,219.79 to the Debt Service-General (Pool) Fund.

These temporary loans have not been repaid as of the examination report date. No ordinance or resolution was passed indicating that an emergency existed.

Indiana Code 36-1-8-4 concerning temporary loans states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs; (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

TOWN OF BROWNSTOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (1) Passes an ordinance or a resolution that contains the following:
  - (A) A statement that the fiscal body has determined that an emergency exists.
  - (B) A brief description of the grounds for the emergency.
  - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and department of local government finance."

**REPAYMENTS AND TRANSFERS**

On December 15, 2008, \$25,000 was transferred from the Sewer Operating Fund to the Joint Fire Protection Board Fund. During 2010, another \$15,000 was transferred from the County Economic Development Income Tax Fund to the Joint Fire Protection Board Fund. On January 17, 2011, the balance in the Joint Fire Protection Board Fund of \$34,126.05 was transferred to the newly created Brownstown Township Fire Protection District. These temporary loans were never repaid prior to the transfer. The Town has been instructed to contact the Fire Protection District and negotiate a repayment plan.

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**APPROPRIATIONS**

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

<u>Fund</u>	<u>Excess Amount Expended</u>
Cumulative Fire Special	\$ 1,079
Police Donations	7,004
Nonreverting Park And Recreation	2,984

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."

**CAPITAL ASSET RECORDS**

Information presented for examination did not indicate an inventory of capital assets had been taken and reconciled to the detailed listing of capital assets; therefore, the current detail did not include purchases and disposals during 2010.

TOWN OF BROWNSTOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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

**COLLECTION OF FEES FOR MOVING TRAFFIC VIOLATIONS**

As noted in the prior examination report, the Town is collecting fines for ordinance violations through an ordinance violations bureau established in accordance with Indiana Code 33-36. If a citizen forgoes their right to a trial, the Town collects the fine. There were numerous instances where the Town collected fines for moving traffic violations through the Ordinance Violations Bureau.

Indiana Code 36-1-6-3 states:

"(a) Certain ordinances may be enforced by a municipal corporation without proceeding in court through:

- (1) an admission of violation before the violations clerk under IC 33-36; or
- (2) administrative enforcement under subsection 9 of this chapter.

(b) Except as provided in the subsection (a), a proceeding to enforce an ordinance must be brought in accordance with IC 34-28-5, section 4 of this chapter, or both.

(c) An ordinance defining a moving traffic violation may not be enforced under IC 33-36 and must be enforced in accordance with IC 34-28-5."

**OVERDRAWN FUND BALANCES**

The Drug Free Grant Fund (\$22), Building Better Communities Fund (\$2,211), and the Payroll Clearing Accounts Fund (\$37,688) were overdrawn at December 31, 2010.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**OFFICIAL BOND COVERAGE**

The following is a schedule of official bond coverage for Rebecka A. Fee, former Clerk-Treasurer:

Surety	Period of Coverage	Bond Number	Bond Amount
Fidelity and Deposit Company of Maryland	01-01-06 to 12-31-06	POB 8406767 06	\$ 30,000
Fidelity and Deposit Company of Maryland	01-01-07 to 12-31-07	POB 8406767 07	30,000
Fidelity and Deposit Company of Maryland	01-01-08 to 12-31-08	POB 8406767 08	30,000
Fidelity and Deposit Company of Maryland	01-01-09 to 12-31-09	POB 8406767	30,000

TOWN OF BROWNSTOWN  
EXIT CONFERENCE

The contents of this report were discussed on September 8, 2011, with W. David Willey, Clerk-Treasurer, and James A. Phillips, President of the Town Council. The officials concurred with our findings.

A certified letter was sent to Rebecka A. Fee, former Clerk-Treasurer, on October 25, 2011, containing all exit conference documentation and the supporting penalty and interest work papers. It was requested that she contact us within two weeks of the receipt of the letter, if she had any questions regarding the comment in the report, or wished to make a written response to the comment. The delivery receipt was dated October 27, 2011 and, as of November 14, 2011, no contact has been made regarding the comment in the report and the exit conference form has not been returned to indicate that a response would be made regarding the comment.

TOWN OF BROWNSTOWN  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Rebecka A. Fee, former Clerk-Treasurer:			
Penalties, Interest, and Other Charges, page 18	<u>\$ 8,006.26</u>	<u>\$ -</u>	<u>\$ 8,006.26</u>

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AFFIDAVIT

STATE OF INDIANA )  
Jackson COUNTY )

I William A. Brown, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Brownstown, Jackson County, Indiana, for the period from January 1, 2010 to December 31, 2010, is true and correct to the best of my knowledge and belief.

William A. Brown, CPA  
Field Examiner

Subscribed and sworn to before me this 23 day of November, 2011.

Amanda L. Lowery  
Clerk of the Circuit Court

