

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

FINANCIAL STATEMENTS AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF BROOKVILLE
FRANKLIN COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
08/14/2012

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-4
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	5-6
Financial Statements: Statements of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	8-9
Notes to Financial Statements	10-14
Supplementary Information: Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	16-25
Schedule of Leases and Debt	26
Schedule of Capital Assets	27
Audit Result and Comment: Lack of Segregation of Duties	28
Supplemental Audit of Federal Awards: Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	30-31
Schedule of Expenditures of Federal Awards	34
Note to Schedule of Expenditures of Federal Awards.....	35
Schedule of Findings and Questioned Costs	36-37
Auditee Prepared Schedules: Summary Schedule of Prior Audit Findings	38
Corrective Action Plan.....	39
Exit Conference.....	40

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda Dunn	01-01-09 to 12-31-12
President of the Town Council	Michael Biltz	01-01-10 to 12-31-12
Superintendent of Utilities	Kurt Reidman	01-01-10 to 12-31-12



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

TO: THE OFFICIALS OF THE TOWN OF BROOKVILLE, FRANKLIN COUNTY, INDIANA

We have audited the accompanying financial statements of the Town of Brookville (Town), for the years ended December 31, 2010 and 2011. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the Town prepares its financial statements 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 statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 27, 2012, 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the Town's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the Town's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Leases and Debt, and Schedule of Capital Assets are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the auditing procedures applied by us in the audit of the financial statements and, accordingly, we express no opinion on them.

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

June 27, 2012



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

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 BROOKVILLE, FRANKLIN COUNTY, INDIANA

We have audited the financial statements of the Town of Brookville (Town), for the years ended December 31, 2010 and 2011, and have issued our report thereon dated June 27, 2012. 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 opinions on the financial statements, 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 statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be a material weakness.

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)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 Council, 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

June 27, 2012

FINANCIAL STATEMENTS

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

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

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General Fund	369,989	\$ 1,115,071	\$ 1,037,170	\$ 447,890
Motor Vehicle Highway	64,492	69,367	65,155	68,704
Local Road & Street	3,488	11,382	11,200	3,670
Police Donation	5,426	2,659	6,537	1,548
Parking Meter	13,860	14,256	23,809	4,307
Grant - Canoe Festival	-	1,000	-	1,000
Law Enforcement Continuing Education	8,700	2,178	1,603	9,275
Riverboat	62,107	77,310	-	139,417
Grandstand Donation	8,172	-	1,298	6,874
Grant - Main Street	-	1,150,267	1,150,267	-
Grant - Dept Home Sec	-	4,000	4,000	-
Rainy Day	137,516	61,403	-	198,919
Police Reimburse	750	1,000	-	1,750
Grant - Park (Fox)	200	200	139	261
Grant - Brk Cemetery Rest	-	627	627	-
Grant - Cemetery Res	1,000	-	1,000	-
Cumulative Capital Development	79,246	34,867	-	114,113
Economic Development Income Tax	144,535	131,189	87,956	187,768
Cumulative Capital Improvement	7,095	10,569	9,899	7,765
Levy Excess	-	1,847	-	1,847
Payroll	-	935,092	935,092	-
Storm Water	28,200	14,350	4,410	38,140
Trash Pickup	120,418	132,153	176,314	76,257
Sewage Utility Operating	340,405	733,813	751,503	322,715
Sewage Utility Bond & Interest	127,701	90,024	79,054	138,671
Sewage Utility Depreciation	426,142	31,208	145,253	312,097
Water Utility Operating	601,013	428,374	800,966	228,421
Water Utility Depreciation	16,131	12,000	-	28,131
Water Utility Meter Deposit	28,585	14,400	8,895	34,090
Totals	<u>\$ 2,595,171</u>	<u>\$ 5,080,606</u>	<u>\$ 5,302,147</u>	<u>\$ 2,373,630</u>

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

TOWN OF BROOKVILLE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
GENERAL FUND	\$ 447,890	\$ 1,159,721	\$ 1,098,440	\$ 509,171
MOTOR VEHICLE HIGHWAY	68,704	69,933	78,229	60,408
LOCAL ROAD & STREET	3,670	11,049	11,200	3,519
PARKING METER	4,307	23,321	11,813	15,815
LAW ENFORCEMENT CONTINUING EDUCATION	9,275	1,761	4,973	6,063
RIVERBOAT	139,417	77,876	13,739	203,554
RAINY DAY	198,919	2,363	-	201,282
ECONOMIC DEVELOPMENT INCOME TAX	187,768	113,472	94,783	206,457
LEVY EXCESS	1,847	-	1,847	-
CUMULATIVE CAPITAL IMPROVEMENT	7,765	7,616	3,638	11,743
CUMULATIVE CAPITAL DEVELOPMENT	114,113	36,125	-	150,238
POLICE DONATION	1,548	4,215	3,475	2,288
GRANDSTAND DONATION	6,874	-	52	6,822
GRANT - PARK (FOX)	261	250	261	250
GRANT - PLAYGROUND EQUIPMENT	-	5,500	-	5,500
GRANT - FIRE DEPT SUITS	-	6,000	-	6,000
GRANT - GIRLS SOFTBALL	-	7,125	-	7,125
GRANT - CANOE FESTIVAL	1,000	180	1,000	180
GRANT - TECH PROJ POLICE	-	7,642	-	7,642
POLICE REIMBURSE	1,750	-	-	1,750
PAYROLL	-	967,904	967,904	-
STORM WATER	38,140	14,274	9,778	42,636
TRASH PICKUP	76,257	134,203	132,498	77,962
SEWAGE UTILITY OPERATING	322,715	725,400	661,435	386,680
SEWAGE UTILITY DEPRECIATION	312,097	27,655	35,532	304,220
SEWAGE UTILITY BOND & INTEREST	138,671	82,023	79,068	141,626
WATER UTILITY OPERATING	228,421	354,717	282,271	300,867
WATER UTILITY METER DEPOSIT	34,090	14,800	11,575	37,315
WATER UTILITY DEPRECIATION	28,131	12,000	3,176	36,955
Totals	<u>\$ 2,373,630</u>	<u>\$ 3,867,125</u>	<u>\$ 3,506,687</u>	<u>\$ 2,734,068</u>

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

TOWN OF BROOKVILLE
NOTES TO FINANCIAL STATEMENTS

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, water, wastewater, storm water, trash.

The accompanying financial statements present the financial information for the Town.

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 include 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.

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,

TOWN OF BROOKVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Penalties which include fees received for late payments.

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 include 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.

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

TOWN OF BROOKVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 BROOKVILLE
NOTES TO FINANCIAL STATEMENTS
(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 any replacement items purchased.

Note 6. *Pension Plan*

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 Indiana Public Retirement System (INPRS) 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.

INPRS 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:

TOWN OF BROOKVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Town's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

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

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

	General Fund	Motor Vehicle Highway	Local Road & Street	Police Donation	Parking Meter	Grant- Canoe Festival
Cash and investments - beginning	\$ 369,989	\$ 64,492	\$ 3,488	\$ 5,426	\$ 13,860	\$ -
Receipts:						
Taxes	1,005,626	-	-	-	-	-
Licenses and permits	28	-	-	-	-	-
Intergovernmental	8,467	68,892	11,382	-	-	1,000
Charges for services	51,027	-	-	2,659	11,574	-
Fines and forfeits	5,761	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	44,162	475	-	-	2,682	-
Total receipts	<u>1,115,071</u>	<u>69,367</u>	<u>11,382</u>	<u>2,659</u>	<u>14,256</u>	<u>1,000</u>
Disbursements:						
Personal services	778,279	32,855	-	-	23,809	-
Supplies	48,167	22,068	-	6,537	-	-
Other services and charges	201,809	10,232	11,200	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	2,698	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	6,217	-	-	-	-	-
Total disbursements	<u>1,037,170</u>	<u>65,155</u>	<u>11,200</u>	<u>6,537</u>	<u>23,809</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>77,901</u>	<u>4,212</u>	<u>182</u>	<u>(3,878)</u>	<u>(9,553)</u>	<u>1,000</u>
Cash and investments - ending	<u>\$ 447,890</u>	<u>\$ 68,704</u>	<u>\$ 3,670</u>	<u>\$ 1,548</u>	<u>\$ 4,307</u>	<u>\$ 1,000</u>

TOWN OF BROOKVILLE
 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	Grandstand Donation	Grant- Main Street	Grant- Dept Home Sec	Rainy Day
Cash and investments - beginning	\$ 8,700	\$ 62,107	\$ 8,172	\$ -	\$ -	\$ 137,516
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	800	-	-	-	-	-
Intergovernmental	-	76,458	-	1,150,267	4,000	58,724
Charges for services	1,092	-	-	-	-	-
Fines and forfeits	286	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	852	-	-	-	2,679
Total receipts	2,178	77,310	-	1,150,267	4,000	61,403
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	1,298	-	4,000	-
Other services and charges	1,603	-	-	1,150,267	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	1,603	-	1,298	1,150,267	4,000	-
Excess (deficiency) of receipts over disbursements	575	77,310	(1,298)	-	-	61,403
Cash and investments - ending	\$ 9,275	\$ 139,417	\$ 6,874	\$ -	\$ -	\$ 198,919

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

	Police Reimburse	Grant- Park (Fox)	Grant- Brk Cemetery Rest	Grant- Cemetery Res	Cumulative Capital Development	Economic Development Income Tax
Cash and investments - beginning	\$ 750	\$ 200	\$ -	\$ 1,000	\$ 79,246	\$ 144,535
Receipts:						
Taxes	-	-	-	-	24,258	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	200	627	-	-	131,189
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	1,000	-	-	-	10,609	-
Total receipts	<u>1,000</u>	<u>200</u>	<u>627</u>	<u>-</u>	<u>34,867</u>	<u>131,189</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	139	-	-	-	-
Other services and charges	-	-	627	1,000	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	87,956
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>139</u>	<u>627</u>	<u>1,000</u>	<u>-</u>	<u>87,956</u>
Excess (deficiency) of receipts over disbursements	<u>1,000</u>	<u>61</u>	<u>-</u>	<u>(1,000)</u>	<u>34,867</u>	<u>43,233</u>
Cash and investments - ending	<u>\$ 1,750</u>	<u>\$ 261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,113</u>	<u>\$ 187,768</u>

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

	Cumulative Capital Improvement	Levy Excess	Payroll	Storm Water	Trash Pickup	Sewage Utility Operating
Cash and investments - beginning	\$ 7,095	\$ -	\$ -	\$ 28,200	\$ 120,418	\$ 340,405
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	706,555
Penalties	-	-	-	-	-	7,530
Other receipts	10,569	1,847	935,092	14,350	132,153	19,728
Total receipts	10,569	1,847	935,092	14,350	132,153	733,813
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	9,899	-	-	-	-	-
Utility operating expenses	-	-	-	4,410	176,314	498,541
Other disbursements	-	-	935,092	-	-	252,962
Total disbursements	9,899	-	935,092	4,410	176,314	751,503
Excess (deficiency) of receipts over disbursements	670	1,847	-	9,940	(44,161)	(17,690)
Cash and investments - ending	\$ 7,765	\$ 1,847	\$ -	\$ 38,140	\$ 76,257	\$ 322,715

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

	Sewage Utility Bond & Interest	Sewage Utility Depreciation	Water Utility Operating	Water Utility Depreciation	Water Utility Meter Deposit	Totals
Cash and investments - beginning	\$ 127,701	\$ 426,142	\$ 601,013	\$ 16,131	\$ 28,585	\$ 2,595,171
Receipts:						
Taxes	-	-	-	-	-	1,029,884
Licenses and permits	-	-	-	-	-	828
Intergovernmental	-	-	-	-	-	1,511,206
Charges for services	-	-	-	-	-	66,352
Fines and forfeits	-	-	-	-	-	6,047
Utility fees	-	-	344,138	-	-	1,050,693
Penalties	-	-	1,863	-	-	9,393
Other receipts	90,024	31,208	82,373	12,000	14,400	1,406,203
Total receipts	90,024	31,208	428,374	12,000	14,400	5,080,606
Disbursements:						
Personal services	-	-	-	-	-	834,943
Supplies	-	-	-	-	-	82,209
Other services and charges	-	-	-	-	-	1,376,738
Debt service - principal and interest	79,054	-	-	-	-	79,054
Capital outlay	-	-	-	-	-	100,553
Utility operating expenses	-	145,253	788,966	-	8,895	1,622,379
Other disbursements	-	-	12,000	-	-	1,206,271
Total disbursements	79,054	145,253	800,966	-	8,895	5,302,147
Excess (deficiency) of receipts over disbursements	10,970	(114,045)	(372,592)	12,000	5,505	(221,541)
Cash and investments - ending	\$ 138,671	\$ 312,097	\$ 228,421	\$ 28,131	\$ 34,090	\$ 2,373,630

TOWN OF BROOKVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	GENERAL FUND	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	PARKING METER	LAW ENFORCEMENT CONTINUING EDUCATION	RIVERBOAT
Cash and investments - beginning	\$ 447,890	\$ 68,704	\$ 3,670	\$ 4,307	\$ 9,275	\$ 139,417
Receipts:						
Taxes	579,759	-	-	-	-	-
Licenses and permits	20	-	-	-	590	-
Intergovernmental	416,407	69,633	11,049	-	-	76,458
Charges for services	29,569	-	-	23,292	360	-
Fines and forfeits	4,974	-	-	-	721	-
Utility fees	-	-	-	-	-	-
Other receipts	128,992	300	-	29	90	1,418
Total receipts	<u>1,159,721</u>	<u>69,933</u>	<u>11,049</u>	<u>23,321</u>	<u>1,761</u>	<u>77,876</u>
Disbursements:						
Personal services	848,969	37,911	-	-	-	-
Supplies	50,828	26,949	-	11,813	-	13,739
Other services and charges	196,994	13,369	11,200	-	4,973	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,649	-	-	-	-	-
Total disbursements	<u>1,098,440</u>	<u>78,229</u>	<u>11,200</u>	<u>11,813</u>	<u>4,973</u>	<u>13,739</u>
Excess (deficiency) of receipts over disbursements	<u>61,281</u>	<u>(8,296)</u>	<u>(151)</u>	<u>11,508</u>	<u>(3,212)</u>	<u>64,137</u>
Cash and investments - ending	<u>\$ 509,171</u>	<u>\$ 60,408</u>	<u>\$ 3,519</u>	<u>\$ 15,815</u>	<u>\$ 6,063</u>	<u>\$ 203,554</u>

TOWN OF BROOKVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	RAINY DAY	ECONOMIC DEVELOPMENT INCOME TAX	LEVY EXCESS	CUMULATIVE CAPITAL IMPROVEMENT	CUMULATIVE CAPITAL DEVELOPMENT	POLICE DONATION
Cash and investments - beginning	\$ 198,919	\$ 187,768	\$ 1,847	\$ 7,765	\$ 114,113	\$ 1,548
Receipts:						
Taxes	-	-	-	-	20,169	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	113,472	-	7,616	2,667	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	2,363	-	-	-	13,289	4,215
Total receipts	<u>2,363</u>	<u>113,472</u>	<u>-</u>	<u>7,616</u>	<u>36,125</u>	<u>4,215</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	3,475
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	94,783	-	3,638	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	1,847	-	-	-
Total disbursements	<u>-</u>	<u>94,783</u>	<u>1,847</u>	<u>3,638</u>	<u>-</u>	<u>3,475</u>
Excess (deficiency) of receipts over disbursements	<u>2,363</u>	<u>18,689</u>	<u>(1,847)</u>	<u>3,978</u>	<u>36,125</u>	<u>740</u>
Cash and investments - ending	<u>\$ 201,282</u>	<u>\$ 206,457</u>	<u>\$ -</u>	<u>\$ 11,743</u>	<u>\$ 150,238</u>	<u>\$ 2,288</u>

TOWN OF BROOKVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	GRANDSTAND DONATION	GRANT- PARK (FOX)	GRANT- PLAYGROUND EQUIPMENT	GRANT- FIRE DEPT SUITS	GRANT- GIRLS SOFTBALL	GRANT- CANOE FESTIVAL
Cash and investments - beginning	\$ 6,874	\$ 261	\$ -	\$ -	\$ -	\$ 1,000
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	250	5,500	6,000	7,125	180
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	-	250	5,500	6,000	7,125	180
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	52	261	-	-	-	1,000
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	52	261	-	-	-	1,000
Excess (deficiency) of receipts over disbursements	(52)	(11)	5,500	6,000	7,125	(820)
Cash and investments - ending	\$ 6,822	\$ 250	\$ 5,500	\$ 6,000	\$ 7,125	\$ 180

TOWN OF BROOKVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	GRANT- TECH PROJ POLICE	POLICE REIMBURSE	PAYROLL	STORM WATER	TRASH PICKUP	SEWAGE UTILITY OPERATING
Cash and investments - beginning	\$ -	\$ 1,750	\$ -	\$ 38,140	\$ 76,257	\$ 322,715
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	7,642	-	-	-	3,540	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	715,729
Other receipts	-	-	967,904	14,274	130,663	9,671
Total receipts	<u>7,642</u>	<u>-</u>	<u>967,904</u>	<u>14,274</u>	<u>134,203</u>	<u>725,400</u>
Disbursements:						
Personal services	-	-	967,904	-	-	-
Supplies	-	-	-	-	2,880	-
Other services and charges	-	-	-	-	129,618	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	9,778	-	414,401
Other disbursements	-	-	-	-	-	247,034
Total disbursements	<u>-</u>	<u>-</u>	<u>967,904</u>	<u>9,778</u>	<u>132,498</u>	<u>661,435</u>
Excess (deficiency) of receipts over disbursements	<u>7,642</u>	<u>-</u>	<u>-</u>	<u>4,496</u>	<u>1,705</u>	<u>63,965</u>
Cash and investments - ending	<u>\$ 7,642</u>	<u>\$ 1,750</u>	<u>\$ -</u>	<u>\$ 42,636</u>	<u>\$ 77,962</u>	<u>\$ 386,680</u>

TOWN OF BROOKVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	SEWAGE UTILITY DEPRECIATION	SEWAGE UTILITY & BOND INTEREST	WATER UTILITY OPERATING	WATER UTILITY METER DEPOSIT	WATER UTILITY DEPRECIATION	Totals
Cash and investments - beginning	\$ 312,097	\$ 138,671	\$ 228,421	\$ 34,090	\$ 28,131	\$ 2,373,630
Receipts:						
Taxes	-	-	16,518	-	-	616,446
Licenses and permits	-	-	-	-	-	610
Intergovernmental	-	-	-	-	-	727,539
Charges for services	-	-	-	-	-	53,221
Fines and forfeits	-	-	-	-	-	5,695
Utility fees	-	-	34,190	-	-	749,919
Other receipts	27,655	82,023	304,009	14,800	12,000	1,713,695
Total receipts	27,655	82,023	354,717	14,800	12,000	3,867,125
Disbursements:						
Personal services	-	-	-	-	-	1,854,784
Supplies	-	-	-	-	-	110,997
Other services and charges	-	-	-	-	-	356,154
Debt service - principal and interest	-	79,068	-	-	-	79,068
Capital outlay	-	-	-	-	-	98,421
Utility operating expenses	35,532	-	270,271	11,575	3,176	744,733
Other disbursements	-	-	12,000	-	-	262,530
Total disbursements	35,532	79,068	282,271	11,575	3,176	3,506,687
Excess (deficiency) of receipts over disbursements	(7,877)	2,955	72,446	3,225	8,824	360,438
Cash and investments - ending	\$ 304,220	\$ 141,626	\$ 300,867	\$ 37,315	\$ 36,955	\$ 2,734,068

TOWN OF BROOKVILLE
 SCHEDULE OF LEASES AND DEBT
 December 31, 2011

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities: Revenue bonds	Improvements to sewer plant	\$ 895,300	\$ 79,068
Totals		<u>\$ 895,300</u>	<u>\$ 79,068</u>

TOWN OF BROOKVILLE
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 100,000
Buildings	3,312,592
Machinery, equipment and vehicles	447,495
Total governmental activities	3,860,087
Storm Water:	
Infrastructure	391,713
Wastewater:	
Land	50,000
Buildings	3,855,280
Improvements other than buildings	20,000
Machinery, equipment and vehicles	1,006,720
Total Wastewater	4,932,000
Water:	
Land	50,000
Buildings	2,402,400
Improvements other than buildings	209,320
Machinery, equipment and vehicles	141,539
Total Water	2,803,259
Total capital assets	\$ 11,987,059

TOWN OF BROOKVILLE
AUDIT RESULT AND COMMENT

LACK OF SEGREGATION OF DUTIES (Applies to Town and Utilities)

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 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 THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF BROOKVILLE, FRANKLIN COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Brookville (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 its major federal program for the years ended December 31, 2010 and 2011. The Town's major federal program 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 to 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 its major federal program for the years ended December 31, 2010 and 2011.

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 THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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, Town Council, 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

June 27, 2012

(This page intentionally left blank.)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the Town. The schedule and note are presented as intended by the Town.

TOWN OF BROOKVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2010 and 2011

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	Total Federal Awards Expended 12-31-11
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office of Community and Rural Affairs CDBG - State Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CF-09-102	\$ 500,000	\$ -
Total for federal grantor agency			500,000	-
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Pass-Through Indiana Criminal Justice Institute Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grant Program	16.580	08(a)-DJ-063	-	5,394
Total for federal grantor agency			-	5,394
Total federal awards expended			\$ 500,000	\$ 5,394

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

TOWN OF BROOKVILLE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Brookville 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 BROOKVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency 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 CDBG Cluster

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2011-1 - INTERNAL CONTROLS-LACK OF SEGREGATION OF DUTIES

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:

TOWN OF BROOKVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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.

Segregation of duties is the concept of having different people do different tasks within the organization. Segregation of duties provides the foundation of good internal control by assuring that no one individual is in a position to perpetuate and conceal errors or irregularities in the normal course of their authorized duties. Compensating controls are safeguards put in place to mitigate the effects of the lack of segregation of duties.

The lack of segregation is caused by the Town having a small staff that limits the Town's ability to segregate accounting duties.

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)

We recommended Town officials either enhance segregation of accounting duties or implement compensating controls.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF BROOKVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF BROOKVILLE

1020 Franklin Avenue
Brookville, Indiana 47012-1410
1-765-647-3322
1-765-647-1119 FAX

CORRECTIVE ACTION PLAN

Finding Number 2011-1, Internal Controls –Lack of Segregation of Duties

Contact Person: Linda L Dunn
Title: Clerk-Treasurer
Phone Number: 765-647-3322

The purpose of this document is to serve as an attachment and response to the Town of Brookville Audit.

On behalf of the Town of Brookville, I thank the auditors for their time and expertise in conducting this audit. I look for their guidance and leadership in helping to manage the Clerk-Treasurer position of which I am elected.

RE: Lack of Segregation of Duties

The Clerk-Treasurer's office will review and attempt to implement procedures involving current staff that would provide, to some degree, additional segregation of duties. An example is to have a current Councilmember (Certified Public Accountant) oversee bank reconciliation reports and review outstanding checks. However, the Town is a very small governmental unit and the cost associated with employing the additional staff necessary to properly segregate the duties in the Clerk/Treasurer office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent in the internal control structure.

Respectfully,


LINDA L. DUNN, CLERK-TREASURER
June 6, 2012

TOWN OF BROOKVILLE
EXIT CONFERENCE

The contents of this report were discussed on June 27, 2012, with Linda Dunn, Clerk-Treasurer; Michael Biltz, President of the Town Council; and Darrel Flaspohler, Town Council member. The officials concurred with our audit findings.