

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF BROOKSTON
WHITE COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
09/23/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards	6-7
Financial Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	11
Notes to Financial Statement.....	12-16
Supplementary Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	18-27
Schedule of Leases and Debt	28
Schedule of Capital Assets.....	29
Audit Results and Comments:	
Internal Controls over the Preparation of the Schedule of Expenditures of Federal Awards	30
Internal Controls Over Financial Transactions and Reporting	30-31
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance.....	34-35
Schedule of Expenditures of Federal Awards	39
Note to Schedule of Expenditures of Federal Awards.....	40
Schedule of Findings and Questioned Costs	41-43
Auditee Prepared Schedule:	
Corrective Action Plan.....	44-46
Exit Conference.....	47

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Ginger E. Brown Regina J. Berryman	01-01-10 to 08-31-11 09-01-11 to 12-31-15
President of the Town Council	Joseph E. Butz	01-01-11 to 12-31-13
Superintendent of Utilities	Max Eldridge	01-01-11 to 12-31-13



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 BROOKSTON, WHITE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Brookston (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statement in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012.

Opinion on Regulatory Basis of Accounting

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 period of January 1, 2011 to December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 27, 2013, 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* in considering the Town's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. 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 statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Leases and Debt, and Schedule of Capital Assets, 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 auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.



Bruce Hartman
State Examiner

August 27, 2013



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

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

We have audited, 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, the financial statement of the Town of Brookston (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated August 27, 2013, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items Finding 2012-01 and Finding 2012-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statement is 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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

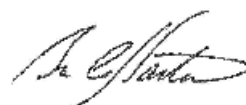
provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Brookston's Response to Findings

The Town's response to the findings identified in our audit is described in the Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Hartman
State Examiner

August 27, 2013

(This page intentionally left blank.)

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.

(This page intentionally left blank.)

TOWN OF BROOKSTON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Years Ended December 31, 2011 And 2012

Fund	Cash and Investments			Cash and Investments			Cash and Investments
	01-01-11	Receipts	Disbursements	12-31-11	Receipts	Disbursements	12-31-12
General Fund	\$ 232,959	\$ 293,267	\$ 269,618	\$ 256,608	\$ 266,225	\$ 252,428	\$ 270,405
MVH	44,387	122,833	93,051	74,169	139,905	105,022	109,052
LR&S	18,008	6,025	3,609	20,424	5,989	10,000	16,413
Local Law Enforcement Continuing Education	1,453	2,399	460	3,392	1,151	245	4,298
River Boat	26,404	10,745	-	37,149	9,206	10,000	36,355
Rainy Day Fund	12,407	-	-	12,407	-	-	12,407
CEDIT	32,267	18,365	20,000	30,632	25,365	10,000	45,997
Levy Excess Fund	5,564	-	5,564	-	1,095	-	1,095
CCI	8,945	4,931	-	13,876	4,122	5,000	12,998
Brookston Cemetery	-	14,393	1,422	12,971	7,751	8,142	12,580
Slip Lining Grant	-	471,938	471,938	-	284,342	284,342	-
Wind Turbine Grant	-	57,768	57,765	3	17,232	17,236	(1)
Storm Sewer Retainage Passbook	50,481	8	50,489	-	-	-	-
Slip Lining Retainage Passbook	-	18,340	-	18,340	14,222	32,562	-
Total Monies on Deposit	-	-	-	-	5,741	-	5,741
Park Donation	1,765	40	-	1,805	-	-	1,805
Storm Sewer Grant	-	50,489	50,489	-	-	-	-
Bicentennial Donation Fund	548	4	-	552	1	-	553
Juanita Waugh Park	6,033	41	2,022	4,052	10	-	4,062
Community Van Gift Fund	10,738	77	-	10,815	26	-	10,841
Development Guide Fund	1,200	-	-	1,200	-	-	1,200
Fire Station Grant Fund	2,000	-	-	2,000	-	-	2,000
Wood & South Street Fund	203,496	1,471	-	204,967	370	205,337	-
Special Deposit Fund	1,343	-	-	1,343	-	-	1,343
Federal Withholding	-	24,537	24,537	-	24,635	24,635	-
Indiana Gross	1,328	11,334	11,754	908	11,436	11,544	800
Social Security	-	26,904	26,903	1	27,655	26,662	994
Insurance	2,971	23,500	20,551	5,920	36,460	28,501	13,879
Medicare	-	7,502	7,502	-	7,712	7,339	373
Garnish	-	2,545	2,545	-	-	-	-
Electric Operating	600,085	1,191,041	1,205,124	586,002	1,172,455	1,225,083	533,374
Light Depreciation	49,491	4,740	31,782	22,449	4,740	3,946	23,243
Electric Meter Deposit	42,928	11,300	6,546	47,682	10,200	8,043	49,839
Electric Cash Reserve	70,301	2,000	-	72,301	2,000	-	74,301
Wastewater Operating	74,846	304,880	294,568	85,158	341,330	372,171	54,317
Wastewater Sinking	1,565	145,676	145,637	1,604	144,795	144,757	1,642
Wastewater Depreciation	3,277	1,440	-	4,717	1,440	416	5,741
Wastewater Debt Service Reserve	182,299	-	-	182,299	-	-	182,299
Water Operating	180,296	319,460	303,417	196,339	326,947	317,864	205,422
Water Sinking	138,170	81,679	82,013	137,836	77,932	78,268	137,500
Waterworks Improvement	91,109	-	15,940	75,169	-	21,891	53,278
Water Meter Deposit	33,569	15,150	7,464	41,255	14,600	9,823	46,032
BNY-Water Sinking Fund	37,219	57,060	92,171	2,108	66,173	61,055	7,226
BNY-Debt Service Reserve	136,151	6,898	-	143,049	195	-	143,244
Totals	\$ 2,305,603	\$ 3,310,780	\$ 3,304,881	\$ 2,311,502	\$ 3,053,458	\$ 3,282,312	\$ 2,082,648

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

TOWN OF BROOKSTON
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, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, trash, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the Town.

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 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 BROOKSTON
NOTES TO FINANCIAL STATEMENT
(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 statement. 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.

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.

TOWN OF BROOKSTON
NOTES TO FINANCIAL STATEMENT
(Continued)

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

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

TOWN OF BROOKSTON
NOTES TO FINANCIAL STATEMENT
(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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

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:

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

TOWN OF BROOKSTON
NOTES TO FINANCIAL STATEMENT
(Continued)

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 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 statement contained in this report and the financial information presented in the Annual Reports 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 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 BROOKSTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General Fund	MVH	LR&S	Local Law Enforcement Continuing Education	River Boat	Rainy Day Fund	CEDIT	Levy Excess Fund	CCI
Cash and investments - beginning	\$ 232,959	\$ 44,387	\$ 18,008	\$ 1,453	\$ 26,404	\$ 12,407	\$ 32,267	\$ 5,564	\$ 8,945
Receipts:									
Taxes	219,433	75,065	-	-	-	-	-	-	-
Licenses and permits	55	-	-	2,399	-	-	-	-	-
Intergovernmental	62,130	45,557	6,025	-	10,745	-	18,365	-	4,931
Charges for services	179	601	-	-	-	-	-	-	-
Fines and forfeits	8,201	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	3,269	1,610	-	-	-	-	-	-	-
Total receipts	<u>293,267</u>	<u>122,833</u>	<u>6,025</u>	<u>2,399</u>	<u>10,745</u>	<u>-</u>	<u>18,365</u>	<u>-</u>	<u>4,931</u>
Disbursements:									
Personal services	89,993	52,434	-	-	-	-	-	-	-
Supplies	24,047	20,269	-	-	-	-	-	-	-
Other services and charges	90,122	19,759	3,609	460	-	-	20,000	-	-
Capital outlay	24,579	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	40,877	589	-	-	-	-	-	5,564	-
Total disbursements	<u>269,618</u>	<u>93,051</u>	<u>3,609</u>	<u>460</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>5,564</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>23,649</u>	<u>29,782</u>	<u>2,416</u>	<u>1,939</u>	<u>10,745</u>	<u>-</u>	<u>(1,635)</u>	<u>(5,564)</u>	<u>4,931</u>
Cash and investments - ending	<u>\$ 256,608</u>	<u>\$ 74,169</u>	<u>\$ 20,424</u>	<u>\$ 3,392</u>	<u>\$ 37,149</u>	<u>\$ 12,407</u>	<u>\$ 30,632</u>	<u>\$ -</u>	<u>\$ 13,876</u>

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

	Brookston Cemetery	Slip Lining Grant	Wind Turbine Grant	Storm Sewer Retainage Passbook	Slip Lining Retainage Passbook	Total Monies on Deposit	Park Donation	Storm Sewer Grant	Bicentennial Donation Fund
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 50,481	\$ -	\$ -	\$ 1,765	\$ -	\$ 548
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	14,393	471,938	57,768	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	8	18,340	-	40	50,489	4
Total receipts	14,393	471,938	57,768	8	18,340	-	40	50,489	4
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	1,422	471,938	57,765	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	50,489	-	-	-	50,489	-
Total disbursements	1,422	471,938	57,765	50,489	-	-	-	50,489	-
Excess (deficiency) of receipts over disbursements	12,971	-	3	(50,481)	18,340	-	40	-	4
Cash and investments - ending	\$ 12,971	\$ -	\$ 3	\$ -	\$ 18,340	\$ -	\$ 1,805	\$ -	\$ 552

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

	Juanita Waugh Park	Community Van Gift Fund	Development Guide Fund	Fire Station Grant Fund	Wood & South Street Fund	Special Deposit Fund	Federal Withholding	Indiana Gross	Social Security
Cash and investments - beginning	\$ 6,033	\$ 10,738	\$ 1,200	\$ 2,000	\$ 203,496	\$ 1,343	\$ -	\$ 1,328	\$ -
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	41	77	-	-	1,471	-	24,537	11,334	26,904
Total receipts	41	77	-	-	1,471	-	24,537	11,334	26,904
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	2,022	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	24,537	11,754	26,903
Total disbursements	2,022	-	-	-	-	-	24,537	11,754	26,903
Excess (deficiency) of receipts over disbursements	(1,981)	77	-	-	1,471	-	-	(420)	1
Cash and investments - ending	\$ 4,052	\$ 10,815	\$ 1,200	\$ 2,000	\$ 204,967	\$ 1,343	\$ -	\$ 908	\$ 1

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

	Insurance	Medicare	Garnish	Electric Operating	Light Depreciation	Electric Meter Deposit	Electric Cash Reserve	Wastewater Operating	Wastewater Sinking
Cash and investments - beginning	\$ 2,971	\$ -	\$ -	\$ 600,085	\$ 49,491	\$ 42,928	\$ 70,301	\$ 74,846	\$ 1,565
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	1,173,846	-	11,300	-	294,200	-
Penalties	-	-	-	8,916	-	-	-	8,409	-
Other receipts	23,500	7,502	2,545	8,279	4,740	-	2,000	2,271	145,676
Total receipts	<u>23,500</u>	<u>7,502</u>	<u>2,545</u>	<u>1,191,041</u>	<u>4,740</u>	<u>11,300</u>	<u>2,000</u>	<u>304,880</u>	<u>145,676</u>
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	1,191,511	31,782	-	-	140,480	-
Other disbursements	20,551	7,502	2,545	13,613	-	6,546	-	154,088	145,637
Total disbursements	<u>20,551</u>	<u>7,502</u>	<u>2,545</u>	<u>1,205,124</u>	<u>31,782</u>	<u>6,546</u>	<u>-</u>	<u>294,568</u>	<u>145,637</u>
Excess (deficiency) of receipts over disbursements	<u>2,949</u>	<u>-</u>	<u>-</u>	<u>(14,083)</u>	<u>(27,042)</u>	<u>4,754</u>	<u>2,000</u>	<u>10,312</u>	<u>39</u>
Cash and investments - ending	<u>\$ 5,920</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 586,002</u>	<u>\$ 22,449</u>	<u>\$ 47,682</u>	<u>\$ 72,301</u>	<u>\$ 85,158</u>	<u>\$ 1,604</u>

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

	Wastewater Depreciation	Wastewater Debt Service Reserve	Water Operating	Water Sinking	Waterworks Improvement	Water Meter Deposit	BNY-Water Sinking Fund	BNY-Debt Service Reserve	Totals
Cash and investments - beginning	\$ 3,277	\$ 182,299	\$ 180,296	\$ 138,170	\$ 91,109	\$ 33,569	\$ 37,219	\$ 136,151	\$ 2,305,603
Receipts:									
Taxes	-	-	-	-	-	-	-	-	294,498
Licenses and permits	-	-	-	-	-	-	-	-	2,454
Intergovernmental	-	-	-	-	-	-	-	-	147,753
Charges for services	-	-	-	-	-	-	-	-	544,879
Fines and forfeits	-	-	-	-	-	-	-	-	8,201
Utility fees	-	-	281,015	-	-	15,150	-	-	1,775,511
Penalties	-	-	2,965	-	-	-	-	-	20,290
Other receipts	1,440	-	35,480	81,679	-	-	57,060	6,898	517,194
Total receipts	1,440	-	319,460	81,679	-	15,150	57,060	6,898	3,310,780
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	142,427
Supplies	-	-	-	-	-	-	-	-	44,316
Other services and charges	-	-	-	-	-	-	-	-	667,097
Capital outlay	-	-	-	-	-	-	-	-	24,579
Utility operating expenses	-	-	150,491	-	15,940	-	-	-	1,530,204
Other disbursements	-	-	152,926	82,013	-	7,464	92,171	-	896,258
Total disbursements	-	-	303,417	82,013	15,940	7,464	92,171	-	3,304,881
Excess (deficiency) of receipts over disbursements	1,440	-	16,043	(334)	(15,940)	7,686	(35,111)	6,898	5,899
Cash and investments - ending	\$ 4,717	\$ 182,299	\$ 196,339	\$ 137,836	\$ 75,169	\$ 41,255	\$ 2,108	\$ 143,049	\$ 2,311,502

TOWN OF BROOKSTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	General Fund	MVH	LR&S	Local Law Enforcement Continuing Education	River Boat	Rainy Day Fund	CEDIT	Levy Excess Fund	CCI
Cash and investments - beginning	\$ 256,608	\$ 74,169	\$ 20,424	\$ 3,392	\$ 37,149	\$ 12,407	\$ 30,632	\$ -	\$ 13,876
Receipts:									
Taxes	152,886	83,400	-	-	-	-	-	-	-
Licenses and permits	690	-	-	1,151	-	-	-	-	-
Intergovernmental	103,475	51,836	5,989	-	9,206	-	25,365	-	4,122
Charges for services	8,063	4,669	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	1,111	-	-	-	-	-	-	1,095	-
Total receipts	<u>266,225</u>	<u>139,905</u>	<u>5,989</u>	<u>1,151</u>	<u>9,206</u>	<u>-</u>	<u>25,365</u>	<u>1,095</u>	<u>4,122</u>
Disbursements:									
Personal services	94,938	52,259	-	-	-	-	-	-	-
Supplies	15,127	49,576	-	-	-	-	-	-	-
Other services and charges	102,694	-	10,000	245	10,000	-	10,000	-	5,000
Capital outlay	406	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	39,263	3,187	-	-	-	-	-	-	-
Total disbursements	<u>252,428</u>	<u>105,022</u>	<u>10,000</u>	<u>245</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>5,000</u>
Excess (deficiency) of receipts over disbursements	<u>13,797</u>	<u>34,883</u>	<u>(4,011)</u>	<u>906</u>	<u>(794)</u>	<u>-</u>	<u>15,365</u>	<u>1,095</u>	<u>(878)</u>
Cash and investments - ending	<u>\$ 270,405</u>	<u>\$ 109,052</u>	<u>\$ 16,413</u>	<u>\$ 4,298</u>	<u>\$ 36,355</u>	<u>\$ 12,407</u>	<u>\$ 45,997</u>	<u>\$ 1,095</u>	<u>\$ 12,998</u>

TOWN OF BROOKSTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Brookston Cemetery	Slip Lining Grant	Wind Turbine Grant	Storm Sewer Retainage Passbook	Slip Lining Retainage Passbook	Total Monies on Deposit	Park Donation	Storm Sewer Grant	Bicentennial Donation Fund
Cash and investments - beginning	\$ 12,971	\$ -	\$ 3	\$ -	\$ 18,340	\$ -	\$ 1,805	\$ -	\$ 552
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	7,739	284,342	17,232	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	12	-	-	-	14,222	5,741	-	-	1
Total receipts	7,751	284,342	17,232	-	14,222	5,741	-	-	1
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	8,142	284,342	17,236	-	32,562	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-	-
Total disbursements	8,142	284,342	17,236	-	32,562	-	-	-	-
Excess (deficiency) of receipts over disbursements	(391)	-	(4)	-	(18,340)	5,741	-	-	1
Cash and investments - ending	<u>\$ 12,580</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,741</u>	<u>\$ 1,805</u>	<u>\$ -</u>	<u>\$ 553</u>

TOWN OF BROOKSTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Juanita Waugh Park	Community Van Gift Fund	Development Guide Fund	Fire Station Grant Fund	Wood & South Street Fund	Special Deposit Fund	Federal Withholding	Indiana Gross	Social Security
Cash and investments - beginning	\$ 4,052	\$ 10,815	\$ 1,200	\$ 2,000	\$ 204,967	\$ 1,343	\$ -	\$ 908	\$ 1
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	10	26	-	-	370	-	24,635	11,436	27,655
Total receipts	10	26	-	-	370	-	24,635	11,436	27,655
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	205,337	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	24,635	11,544	26,662
Total disbursements	-	-	-	-	205,337	-	24,635	11,544	26,662
Excess (deficiency) of receipts over disbursements	10	26	-	-	(204,967)	-	-	(108)	993
Cash and investments - ending	\$ 4,062	\$ 10,841	\$ 1,200	\$ 2,000	\$ -	\$ 1,343	\$ -	\$ 800	\$ 994

TOWN OF BROOKSTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Insurance	Medicare	Garnish	Electric Operating	Light Depreciation	Electric Meter Deposit	Electric Cash Reserve	Wastewater Operating	Wastewater Sinking
Cash and investments - beginning	\$ 5,920	\$ -	\$ -	\$ 586,002	\$ 22,449	\$ 47,682	\$ 72,301	\$ 85,158	\$ 1,604
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	1,159,473	-	10,200	-	329,898	-
Penalties	-	-	-	8,324	-	-	-	10,438	-
Other receipts	36,460	7,712	-	4,658	4,740	-	2,000	994	144,795
Total receipts	<u>36,460</u>	<u>7,712</u>	<u>-</u>	<u>1,172,455</u>	<u>4,740</u>	<u>10,200</u>	<u>2,000</u>	<u>341,330</u>	<u>144,795</u>
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	1,055,187	3,946	-	-	218,273	-
Other disbursements	28,501	7,339	-	169,896	-	8,043	-	153,898	144,757
Total disbursements	<u>28,501</u>	<u>7,339</u>	<u>-</u>	<u>1,225,083</u>	<u>3,946</u>	<u>8,043</u>	<u>-</u>	<u>372,171</u>	<u>144,757</u>
Excess (deficiency) of receipts over disbursements	<u>7,959</u>	<u>373</u>	<u>-</u>	<u>(52,628)</u>	<u>794</u>	<u>2,157</u>	<u>2,000</u>	<u>(30,841)</u>	<u>38</u>
Cash and investments - ending	<u>\$ 13,879</u>	<u>\$ 373</u>	<u>\$ -</u>	<u>\$ 533,374</u>	<u>\$ 23,243</u>	<u>\$ 49,839</u>	<u>\$ 74,301</u>	<u>\$ 54,317</u>	<u>\$ 1,642</u>

TOWN OF BROOKSTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Wastewater Depreciation	Wastewater Debt Service Reserve	Water Operating	Water Sinking	Waterworks Improvement	Water Meter Deposit	BNY-Water Sinking Fund	BNY-Debt Service Reserve	Totals
Cash and investments - beginning	\$ 4,717	\$ 182,299	\$ 196,339	\$ 137,836	\$ 75,169	\$ 41,255	\$ 2,108	\$ 143,049	\$ 2,311,502
Receipts:									
Taxes	-	-	-	-	-	-	-	-	236,286
Licenses and permits	-	-	-	-	-	-	-	-	1,841
Intergovernmental	-	-	-	-	-	-	-	-	199,993
Charges for services	-	-	-	-	-	-	-	-	322,045
Utility fees	-	-	290,056	-	-	14,600	-	-	1,804,227
Penalties	-	-	2,846	-	-	-	-	-	21,608
Other receipts	1,440	-	34,045	77,932	-	-	66,173	195	467,458
Total receipts	1,440	-	326,947	77,932	-	14,600	66,173	195	3,053,458
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	147,197
Supplies	-	-	-	-	-	-	-	-	64,703
Other services and charges	-	-	-	-	-	-	-	-	685,558
Capital outlay	-	-	-	-	-	-	-	-	406
Utility operating expenses	416	-	176,705	-	21,891	-	-	-	1,476,418
Other disbursements	-	-	141,159	78,268	-	9,823	61,055	-	908,030
Total disbursements	416	-	317,864	78,268	21,891	9,823	61,055	-	3,282,312
Excess (deficiency) of receipts over disbursements	1,024	-	9,083	(336)	(21,891)	4,777	5,118	195	(228,854)
Cash and investments - ending	\$ 5,741	\$ 182,299	\$ 205,422	\$ 137,500	\$ 53,278	\$ 46,032	\$ 7,226	\$ 143,244	\$ 2,082,648

TOWN OF BROOKSTON
 SCHEDULE OF LEASES AND DEBT
 December 31, 2012

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater:			
Revenue bonds	WASTEWATER PLANT	\$ 1,544,000	\$ 145,801
Water:			
Revenue bonds	WATER TOWER & WATER PLANT	1,442,000	141,896
Totals		<u>\$ 2,986,000</u>	<u>\$ 287,697</u>

TOWN OF BROOKSTON
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2012

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:	
Infrastructure	\$ 1,126,122
Buildings	579,824
Improvements other than buildings	175,000
Machinery, equipment, and vehicles	563,079
Total governmental activities	2,444,025
Electric:	
Machinery, equipment, and vehicles	129,145
Wastewater:	
Land	25,000
Infrastructure	2,851,280
Buildings	219,858
Machinery, equipment, and vehicles	204,288
Total Wastewater	3,300,426
Water:	
Infrastructure	298,116
Buildings	316,795
Machinery, equipment, and vehicles	987,179
Total Water	1,602,090
Total capital assets	\$ 7,475,686

TOWN OF BROOKSTON
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS OVER THE PREPARATION OF THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The Town did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could 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)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

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

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to the achievement of financial reporting objectives. The Town has not separated incompatible activities related to 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 remain undetected.

TOWN OF BROOKSTON
AUDIT RESULTS AND COMMENTS
(Continued)

2. Preparing Financial Statement: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statement and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.
3. Monitoring of Controls: Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

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)

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Brookston's (Town) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the period of January 1, 2011 to December 31, 2012. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the period of January 1, 2011 to December 31, 2012.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-03 to be material weaknesses.

The Town's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Bruce Hartman
State Examiner

August 27, 2013

(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.

(This page intentionally left blank.)

TOWN OF BROOKSTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Years Ended December 31, 2011 and 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-11	Total Federal Awards Expended 12-31-12
<u>U.S. Department of Housing and Urban Development</u>					
CDBG-State-Administered CDBG Cluster					
Community Development Block Grants/State's					
Program and Non-Entitlement Grants in Hawaii					
Slip Lining Grant	Indiana Office of Community and Rural Affairs	14.228	DR2-09-142	\$ 471,938	\$ 284,342
<u>U.S. Department of Energy</u>					
Renewable Energy Research and Development					
Wind Turbine Grant	Direct grant	81.087	DE-EE0003262	57,768	17,232
Total federal awards expended				<u>\$ 529,706</u>	<u>\$ 301,574</u>

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

TOWN OF BROOKSTON
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 Brookston and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF BROOKSTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Program:

_____ 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 2012-01 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

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

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to the achievement of financial reporting objectives. The Town has not separated incompatible activities related to 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 remain undetected.

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

2. **Preparing Financial Statement:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statement and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

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)

***FINDING 2012-02 - INTERNAL CONTROL OVER THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The Town did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could 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)

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-3 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT THE TO STATE ADMINISTERED CDBG PROGRAM

Federal Agency: U.S. Housing & Urban Development
Federal Program: Community Development Block Grants/State's
Program and Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number and Year (or Other Identifying Number): DR2-09-142
Pass-Through Entity: Indiana Office of Community and Rural Affairs

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: activities allowed or unallowed; allowable costs/cost principles; cash management; Davis-Bacon act; equipment and real property management; matching, level of effort, and earmarking; period of availability; procurement, suspension, and debarment; reporting; and special tests and provisions. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Town.

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

**TOWN OF BROOKSTON
OFFICE OF THE CLERK-TREASURER
205 E THIRD STREET
PO BOX 138
BROOKSTON IN 47923
(765) 563-3171**

Section II – Financial Statement Findings

Finding Number 2012-01 – Internal Controls Over Financial Transactions and Reporting

Auditee Contact Person: Regina J. Berryman
Title of Contact Person: Brookston Clerk-Treasurer
Phone Number: (765) 563-3171

Lack of Segregation of Duties:

Preparing Financial Statements

Monitoring of Controls:

The Town of Brookston will review all procedures and attempt to institute to some degree controls as stated in Chapter 7, Accounting and Uniform Compliance Guidelines Manual for Cities and Towns. The Town has determined to attempt to comply with safeguarding controls.

**TOWN OF BROOKSTON
OFFICE OF THE CLERK-TREASURER
205 E THIRD STREET
PO BOX 138
BROOKSTON IN 47923
(765) 563-3171**

Finding Number 2012-02 – Internal Control Over the Schedule of Expenditures of Federal Awards

Auditee Contact Person: Regina J. Berryman
Title of Contact Person: Brookston Clerk-Treasurer
Phone Number: (765) 563-3171

Preparing the Schedule of Expenditures of Federal Awards (SEFA):

The Brookston Town Council will agree to review and attempt to establish controls including segregations of duties related to any future grants establishing more detailed minutes on the compliance requirements and creating a detailed check list for internal control over Federal Programs that provide reasonable assurance in the managing of Federal Awards.

**TOWN OF BROOKSTON
OFFICE OF THE CLERK-TREASURER
205 E THIRD STREET
PO BOX 138
BROOKSTON IN 47923
(765) 563-3171**


Section III – Federal Awards Findings and Questioned Costs

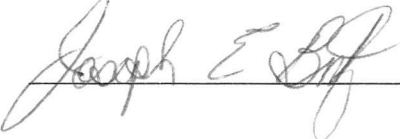
Finding Number 2012-03 – Internal Controls Over Compliance Requirements That Have a Direct and Material Effect to the State Administered CDBG Program:

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii
Federal Award Number and Year: DR2-09-142 2012
Pass-Through Entity: Office of Community and Rural Affairs

Internal Controls Over Compliance Requirements:

The Brookston Town Council will agree to review and attempt to establish controls including segregation of duties related to any future grants by establishing more detailed minutes on the compliance requirements and creating a detailed check list for internal control over Federal Programs that provide reasonable assurance in the managing of Federal Awards.





TOWN OF BROOKSTON
EXIT CONFERENCE

The contents of this report were discussed on August 27, 2013, with Regina J. Berryman, Clerk-Treasurer, and Joseph E. Butz, President of the Town Council. The officials concurred with our audit findings.