

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF BROOKLYN
MORGAN COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
10/26/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Karen Howard-Frentress	01-01-12 to 12-31-19
President of the Town Council	Ken Hayden	01-01-13 to 12-31-13
	Melissa Bryant	01-01-14 to 12-31-14
	Barbara J. Lowhorn	01-01-15 to 12-31-18



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF BROOKLYN, MORGAN COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Brooklyn (Town), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement as listed in the Table of Contents.

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 from 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 to 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 year ended December 31, 2013.

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 year ended December 31, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 20, 2018, 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 solely 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 effectiveness of the Town's 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.


Paul D. Joyce, CPA
State Examiner

September 20, 2018



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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 BROOKLYN, MORGAN 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 Brooklyn (Town), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated September 20, 2018, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town'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 2013-001 and 2013-002 to be material weaknesses.

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)

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Town's financial statement is free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-002.

Town of Brooklyn's Response to Findings

The Town's response to the 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 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.


Paul D. Joyce, CPA
State Examiner

September 20, 2018

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

TOWN OF BROOKLYN
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
GENERAL FUND	\$ 76,540	\$ 300,788	\$ 308,392	\$ 68,936
MOTOR VEHICLE HIGHWAY	105,567	61,813	21,553	145,827
LOCAL ROAD AND STREET	19,096	14,436	-	33,532
PARK	7,941	7,600	6,116	9,425
LAW ENFORCEMENT CONTINUIN	861	1,625	2,219	267
RIVER BOAT FUND	21,333	9,466	-	30,799
RAINY DAY FUND	33,083	-	16,324	16,759
EDIT REVENUE	172,870	63,752	46,306	190,316
LEVY EXCESS	423	-	-	423
CUMULATIVE CAPITAL IMPROV	7,991	4,290	-	12,281
CUMULATIVE FIRE/EQUIP FUN	16,535	6,781	10,214	13,102
DONATION & GRANT FUND	-	493,070	493,070	-
LOIT PUBLIC SAFETY	47,264	25,371	43,080	29,555
DOG FEE FUND	457	-	-	457
DONATIONS PD	745	2,420	2,143	1,022
UTILITY RECEIPTS TAX	-	8,676	8,676	-
ANTHEM INSURANCE	-	2,164	3,978	(1,814)
PAYROLL FUND	7,020	121,556	124,491	4,085
ELECTRIC OPERATING	86,173	785,377	796,389	75,161
ELECTRIC METER DEPOSIT	29,314	5,830	3,460	31,684
ELECTRIC IMPROVEMENT/ DEPR	52,308	78	-	52,386
ELECTRIC SPECIAL ACCOUNT	184,981	102	-	185,083
ELECTRIC CASH RESERVE	87,736	-	15,600	72,136
CREDIT CARD RECEIPTS	15,482	48,163	63,623	22
STORM WATER UTILITY	21,526	21,438	7,480	35,484
SEWER OPERATING FUND	8,168	538,309	543,880	2,597
SEWER DEPOSITS	24,605	4,698	2,821	26,482
SEWER IMPROVEMENT/ DEPRECI	217	-	198	19
SEWER BOND AND INTEREST	-	60,000	72,089	(12,089)
SEWER RES SINKING & SRF D	137,070	-	137,070	-
SEWER CASH RESERVE	100	-	100	-
TRASH-WASTE MANAGEMENT FU	5,931	58,175	56,962	7,144
WATER UTILITY OPERATING	3,590	238,125	239,302	2,413
WATER METER DEPOSIT	18,780	4,015	1,897	20,898
WATER IMPROVEMENT/ DEPRECI	37,147	6,500	34,811	8,836
WATER BOND AND INTEREST	9,538	43,306	52,844	-
WATER RESERVE SINKING FUN	36,000	-	36,000	-
SRF WATER DEBT SERVICE RESERVE	-	39,073	-	39,073
SRF WATER BOND AND INTEREST	-	16,423	321	16,102
Totals	<u>\$ 1,276,392</u>	<u>\$ 2,993,420</u>	<u>\$ 3,151,409</u>	<u>\$ 1,118,403</u>

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

TOWN OF BROOKLYN
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, storm water, and trash.

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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits. 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 the following: building and planning permits and gun permits.

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions

TOWN OF BROOKLYN
NOTES TO FINANCIAL STATEMENT
(Continued)

received from the state, local road and street distributions 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. Amounts received for services including, but not limited to, the following: copies of public records, copy machines charges, accident report copies, gun permit applications, park rental fees, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits. Amounts received 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. Amounts received from charges for current services.

Penalties. Amounts received from late payment fees.

Other receipts. Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; 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. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest. Amounts disbursed for 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. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

TOWN OF BROOKLYN
NOTES TO FINANCIAL STATEMENT
(Continued)

Other disbursements. Amounts disbursed for various other purposes including, but 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. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for amounts 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 amounts 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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.

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, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TOWN OF BROOKLYN
NOTES TO FINANCIAL STATEMENT
(Continued)

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. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of paying the obligations of the funds without making the required transfers into the funds.

Note 7. Subsequent Events

In 2015, the Town began a sewer construction project for various improvements to the sewer system. The project was funded from a Community Development Block Grant program and the State Revolving Loan Program. The total project cost was \$1,915,000.

OTHER INFORMATION - UNAUDITED

The Town's Annual Financial Report information can be found on the Indiana Gateway for Government Units 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 Town's Annual Financial Report 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 other information presented was approved by management of the Town. It is presented as intended by the Town.

TOWN OF BROOKLYN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	GENERAL FUND	MOTOR VEHICLE HIGHWAY	LOCAL ROAD AND STREET	PARK	LAW ENFORCEMENT CONTINUIN
Cash and investments - beginning	\$ 76,540	\$ 105,567	\$ 19,096	\$ 7,941	\$ 861
Receipts:					
Taxes	127,590	-	-	-	-
Licenses and permits	8,931	-	-	-	1,600
Intergovernmental receipts	123,020	61,788	14,436	-	-
Charges for services	-	-	-	7,000	-
Fines and forfeits	-	-	-	-	25
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	41,247	25	-	600	-
Total receipts	300,788	61,813	14,436	7,600	1,625
Disbursements:					
Personal services	114,144	3,350	-	-	-
Supplies	20,719	11,546	-	-	-
Other services and charges	123,876	5,952	-	6,116	2,219
Debt service - principal and interest	-	-	-	-	-
Capital outlay	49,653	705	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	308,392	21,553	-	6,116	2,219
Excess (deficiency) of receipts over disbursements	(7,604)	40,260	14,436	1,484	(594)
Cash and investments - ending	\$ 68,936	\$ 145,827	\$ 33,532	\$ 9,425	\$ 267

TOWN OF BROOKLYN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	RIVER BOAT FUND	RAINY DAY FUND	EDIT REVENUE	LEVY EXCESS	CUMULATIVE CAPITAL IMPROV
Cash and investments - beginning	\$ 21,333	\$ 33,083	\$ 172,870	\$ 423	\$ 7,991
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	9,466	-	63,752	-	4,290
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	-	-	-	-	-
Total receipts	9,466	-	63,752	-	4,290
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	16,324	6,525	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	39,781	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	-	16,324	46,306	-	-
Excess (deficiency) of receipts over disbursements	9,466	(16,324)	17,446	-	4,290
Cash and investments - ending	\$ 30,799	\$ 16,759	\$ 190,316	\$ 423	\$ 12,281

TOWN OF BROOKLYN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	CUMULATIVE FIRE/EQUIP FUN	DONATION & GRANT FUND	LOIT PUBLIC SAFETY	DOG FEE FUND	DONATIONS PD
Cash and investments - beginning	\$ 16,535	\$ -	\$ 47,264	\$ 457	\$ 745
Receipts:					
Taxes	6,319	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	462	493,070	25,371	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	-	-	-	-	2,420
Total receipts	<u>6,781</u>	<u>493,070</u>	<u>25,371</u>	<u>-</u>	<u>2,420</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	21,276	-	2,143
Debt service - principal and interest	-	-	-	-	-
Capital outlay	10,214	493,070	21,804	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	<u>10,214</u>	<u>493,070</u>	<u>43,080</u>	<u>-</u>	<u>2,143</u>
Excess (deficiency) of receipts over disbursements	<u>(3,433)</u>	<u>-</u>	<u>(17,709)</u>	<u>-</u>	<u>277</u>
Cash and investments - ending	<u>\$ 13,102</u>	<u>\$ -</u>	<u>\$ 29,555</u>	<u>\$ 457</u>	<u>\$ 1,022</u>

TOWN OF BROOKLYN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	UTILITY RECEIPTS TAX	ANTHEM INSURANCE	PAYROLL FUND	ELECTRIC OPERATING	ELECTRIC METER DEPOSIT
Cash and investments - beginning	\$ -	\$ -	\$ 7,020	\$ 86,173	\$ 29,314
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	762,358	5,800
Penalties	-	-	-	520	-
Other receipts	8,676	2,164	121,556	22,499	30
Total receipts	8,676	2,164	121,556	785,377	5,830
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	8,676	3,978	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	716,830	2,171
Other disbursements	-	-	124,491	79,559	1,289
Total disbursements	8,676	3,978	124,491	796,389	3,460
Excess (deficiency) of receipts over disbursements	-	(1,814)	(2,935)	(11,012)	2,370
Cash and investments - ending	\$ -	\$ (1,814)	\$ 4,085	\$ 75,161	\$ 31,684

TOWN OF BROOKLYN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	ELECTRIC IMPROVEMENT/ DEPR	ELECTRIC SPECIAL ACCOUNT	ELECTRIC CASH RESERVE	CREDIT CARD RECEIPTS	STORM WATER UTILITY
Cash and investments - beginning	\$ 52,308	\$ 184,981	\$ 87,736	\$ 15,482	\$ 21,526
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	21,438
Penalties	-	-	-	-	-
Other receipts	78	102	-	48,163	-
Total receipts	78	102	-	48,163	21,438
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	3,262
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	1,783
Other disbursements	-	-	15,600	63,623	2,435
Total disbursements	-	-	15,600	63,623	7,480
Excess (deficiency) of receipts over disbursements	78	102	(15,600)	(15,460)	13,958
Cash and investments - ending	\$ 52,386	\$ 185,083	\$ 72,136	\$ 22	\$ 35,484

TOWN OF BROOKLYN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	SEWER OPERATING FUND	SEWER DEPOSITS	SEWER IMPROVEMENT/ DEPRECI	SEWER BOND AND INTEREST	SEWER RES SINKING & SRF D
Cash and investments - beginning	\$ 8,168	\$ 24,605	\$ 217	\$ -	\$ 137,070
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	400,288	4,670	-	-	-
Penalties	-	-	-	-	-
Other receipts	138,021	28	-	60,000	-
Total receipts	<u>538,309</u>	<u>4,698</u>	<u>-</u>	<u>60,000</u>	<u>-</u>
Disbursements:					
Personal services	106,750	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	6,209	-	-	-	-
Debt service - principal and interest	60,000	-	-	72,089	-
Capital outlay	-	-	198	-	-
Utility operating expenses	136,440	1,145	-	-	-
Other disbursements	234,481	1,676	-	-	137,070
Total disbursements	<u>543,880</u>	<u>2,821</u>	<u>198</u>	<u>72,089</u>	<u>137,070</u>
Excess (deficiency) of receipts over disbursements	<u>(5,571)</u>	<u>1,877</u>	<u>(198)</u>	<u>(12,089)</u>	<u>(137,070)</u>
Cash and investments - ending	<u>\$ 2,597</u>	<u>\$ 26,482</u>	<u>\$ 19</u>	<u>\$ (12,089)</u>	<u>\$ -</u>

TOWN OF BROOKLYN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	SEWER CASH RESERVE	TRASH-WASTE MANAGEMENT FU	WATER UTILITY OPERATING	WATER METER DEPOSIT	WATER IMPROVEMENT/ DEPRECI
Cash and investments - beginning	\$ 100	\$ 5,931	\$ 3,590	\$ 18,780	\$ 37,147
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	58,175	206,561	3,996	-
Penalties	-	-	460	-	-
Other receipts	-	-	31,104	19	6,500
Total receipts	-	58,175	238,125	4,015	6,500
Disbursements:					
Personal services	-	-	73,950	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	5,060	-	-
Debt service - principal and interest	-	-	25,116	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	56,962	98,474	851	8,786
Other disbursements	100	-	36,702	1,046	26,025
Total disbursements	100	56,962	239,302	1,897	34,811
Excess (deficiency) of receipts over disbursements	(100)	1,213	(1,177)	2,118	(28,311)
Cash and investments - ending	\$ -	\$ 7,144	\$ 2,413	\$ 20,898	\$ 8,836

TOWN OF BROOKLYN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	WATER BOND AND INTEREST	WATER RESERVE SINKING FUN	SRF WATER DEBT SERVICE RESERVE	SRF WATER BOND AND INTEREST	Totals
Cash and investments - beginning	\$ 9,538	\$ 36,000	\$ -	\$ -	\$ 1,276,392
Receipts:					
Taxes	-	-	-	-	133,909
Licenses and permits	-	-	-	-	10,531
Intergovernmental receipts	-	-	-	-	795,655
Charges for services	-	-	-	-	7,000
Fines and forfeits	-	-	-	-	25
Utility fees	-	-	-	-	1,463,286
Penalties	-	-	-	-	980
Other receipts	43,306	-	39,073	16,423	582,034
Total receipts	43,306	-	39,073	16,423	2,993,420
Disbursements:					
Personal services	-	-	-	-	298,194
Supplies	-	-	-	-	32,265
Other services and charges	-	-	-	-	211,616
Debt service - principal and interest	52,844	-	-	321	210,370
Capital outlay	-	-	-	-	615,425
Utility operating expenses	-	-	-	-	1,023,442
Other disbursements	-	36,000	-	-	760,097
Total disbursements	52,844	36,000	-	321	3,151,409
Excess (deficiency) of receipts over disbursements	(9,538)	(36,000)	39,073	16,102	(157,989)
Cash and investments - ending	\$ -	\$ -	\$ 39,073	\$ 16,102	\$ 1,118,403

TOWN OF BROOKLYN
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2013

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Electric	\$ 56,000	\$ 73,543
Storm Water	610	1,839
Wastewater	12,000	37,422
Water	10,000	17,898
Governmental activities	<u>27,000</u>	<u>17,213</u>
Totals	<u>\$ 105,610</u>	<u>\$ 147,915</u>

TOWN OF BROOKLYN
SCHEDULE OF LEASES AND DEBT
December 31, 2013

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Governmental activities:			
Notes and loans payable	PURCHASED BUILDING*	\$ 15,149	\$ 1,503
Electric:			
Notes and loans payable	PURCHASED BUILDING*	15,149	1,503
Wastewater:			
Revenue bonds	BUILD SEWER PLANT & INSTALL LINES	480,000	85,475
Notes and loans payable	PURCHASED BUILDING*	15,149	1,503
Total Wastewater		495,149	86,978
Water:			
Revenue bonds	NEW WATER TOWER PLANT REHAB LINE REPAIR	947,000	29,511
Revenue Bonds	WATER IMPROVEMENT PROJECT	110,000	17,438
Notes and loans payable	PURCHASED BULDING*	15,149	1,503
Total Water		1,072,149	48,452
Totals		\$ 1,597,596	\$ 138,436

*PURCHASED BUILDING - The same loan payable is a shared obligation of the Town and three Utilities.
The Ending Principal Balance and Principal and Interest Due Within One Year were prorated equally between the Town and three Utilities.

TOWN OF BROOKLYN
SCHEDULE OF CAPITAL ASSETS
December 31, 2013

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	\$ 51,472
Infrastructure	190,705
Buildings	174,842
Improvements other than buildings	15,403
Machinery, equipment, and vehicles	<u>562,989</u>
Total governmental activities	<u>995,411</u>
Electric:	
Land	32,898
Infrastructure	435,495
Buildings	200,532
Improvements other than buildings	99,411
Machinery, equipment, and vehicles	<u>335,131</u>
Total Electric	<u>1,103,467</u>
Storm Water:	
Land	1,650
Infrastructure	68,523
Machinery, equipment, and vehicles	<u>9,000</u>
Total Storm Water	<u>79,173</u>
Wastewater:	
Land	28,678
Infrastructure	60,082
Buildings	680,797
Improvements other than buildings	1,786,951
Machinery, equipment, and vehicles	<u>263,266</u>
Total Wastewater	<u>2,819,774</u>
Water:	
Land	33,828
Infrastructure	8,391
Buildings	620,578
Improvements other than buildings	739,659
Machinery, equipment, and vehicles	<u>53,302</u>
Total Water	<u>1,455,758</u>
Total capital assets	<u>\$ 6,453,583</u>

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 BROOKLYN, MORGAN COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Town of Brooklyn'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 each of its major federal programs for the year ended December 31, 2013. The Town's major federal programs are 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 programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs 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 each 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 each of its major federal programs for the year ended December 31, 2013.

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 the 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 types 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.

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 a 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.


Paul D. Joyce, CPA
State Examiner

September 20, 2018

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

TOWN OF BROOKLYN
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2013

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	Passed Through to Subrecipient	Total Federal Awards Expended
<u>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 Water System Improvements	Indiana Office of Community and Rural Affairs	14.228	CF-11-601	\$ -	\$ 491,650
<u>Environmental Protection Agency</u>					
Capitalization Grants for Drinking Water State Revolving Funds Waterworks Revenue Bonds Series 2013	Indiana Finance Authority	66.468	DW11025501	-	319,746
Total Federal awards expended				\$ -	\$ 811,396

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF BROOKLYN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Town under programs of the federal government for the year ended December 31, 2013. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the Town, it is not intended to and does not present the financial position of the Town.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

TOWN OF BROOKLYN
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?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	no

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.468	CDBG - State-Administered CDBG Cluster Capitalization Grants for Drinking Water State Revolving Funds

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 2013-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Condition

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).

There was no oversight or review of the submission of the SEFA as one employee was solely responsible for the preparation and submission of the SEFA.

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

Context

The lack of adequate internal controls was a systemic issue, which occurred during the preparation of the SEFA. Due to the lack of controls, the Capitalization Grants for Drinking Water State Revolving Funds grant expenditures of \$319,746 were not originally included on the SEFA.

Audit adjustments were proposed, accepted by the Town, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § _____.310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

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

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

Management of the Town had not established a proper system of internal control that would have ensured proper reporting of the SEFA.

Effect

The failure to establish controls enabled material misstatements of the SEFA.

Recommendation

We recommended that the Town establish controls to prevent, or detect and correct, errors on the SEFA prior to submission.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2013-002

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Condition

The Town did not have a proper system of internal controls in place related to financial transactions and reporting. The Town had not separated incompatible activities related to bank reconcilements, vendor claims, and financial reporting. The failure to establish adequate internal controls enabled noncompliance.

There was not sufficient oversight of the monthly bank reconcilements. One employee was responsible for completing the bank reconcilements without evidence of oversight or review.

There was not sufficient oversight of the issuance of vendor claims. One employee was responsible for approving vendor claims, posting the claims to the records, and writing the checks. In addition, claims were approved by the Town Council at the next regularly scheduled meeting after the claims were already paid.

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

The Town had not established effective internal controls over the accuracy and timeliness of the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the Annual Financial Report (AFR) and financial statement. One employee prepared and submitted the Gateway information without evidence of a review or approval process. The 2013 AFR due by March 1, 2014, was not filed until April 21, 2014.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, Uniform Internal Control Standards for Indiana Political Subdivisions. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Indiana Code 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8.7](#)."

Cause

Management of the Town had not established a proper system of internal control that segregated key functions.

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

Effect

The failure to establish adequate internal controls enabled noncompliance.

Recommendation

We recommended that the Town establish a system of internal controls related to financial transactions and reporting, and to ensure that claims will be approved by the Town Council prior to payment and that the AFR will be submitted timely.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the Town. The document is presented as intended by the Town.

Town of Brooklyn

10 East Mill Street – P.O. Box 159

Brooklyn, IN 46111

317-831-3343 Fax: 317-831-3368

CORRECTIVE ACTION PLAN

FINDING 2013-001 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Karen Howard-Frentress
Contact Phone Number: 317-831-3343

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan:

In the future we will ask more questions to understand all funding sources and the necessary threshold for reporting requirements. This will be accomplished through education, history of experience and frankly asking more questions from the hired professionals.

Anticipated Completion Date: 09/18/18

FINDING 2013-002 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Karen Howard-Frentress
Contact Phone Number: 317-831-3343

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan: The Town Council President will review and sign off on reconciled bank statements. Duties divided and to be completed by multiple staff. This will be accomplished through cross training.

Claims will be process for the Council docket but will not be mailed prior to Council approval.

Annual report will be filed in accordance with the SBOA deadlines.

Complete written policies regarding financial transactions regarding claims.

Anticipated Completion Date: 02/28/19


(Karen Howard-Frentress)

Clerk-Treasurer

(Title)

9/19/18

(Date)

OTHER REPORTS

In addition to this report, other reports may have been issued for the Town. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.