

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

ANNUAL FINANCIAL REPORT

2010

CITY OF BRAZIL

CLAY COUNTY, INDIANA



FILED
08/10/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Karen McQueen	01-01-08 to 12-31-11
Mayor	A. Ann Bradshaw	01-01-08 to 12-31-11
President of the Board of Public Works	A. Ann Bradshaw	01-01-10 to 12-31-11
President of the Common Council	Steve Lamb Samual N. Glover	01-01-10 to 12-31-10 01-01-11 to 12-31-11
Superintendent of Water Utility	Jacob Raubach	01-01-10 to 12-31-11
Co-Superintendent of Wastewater Utility	Jerry D. Robison Terry L. Robison	01-01-10 to 12-31-11 01-01-10 to 12-31-11
Utility Office Manager	Sheryl J. Hill	01-01-10 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE CITY OF BRAZIL, CLAY COUNTY, INDIANA

We have audited the accompanying financial statement of the City of Brazil (City), for the year ended December 31, 2010. This financial statement is the responsibility of the City's management. Our responsibility is to express opinions 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

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

In accordance with Government Auditing Standards, we have also issued a report dated June 16, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the City'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.

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

Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt 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.

The City's response to the Audit Result(s) and Comment(s) identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 16, 2011



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF BRAZIL, CLAY COUNTY, INDIANA

We have audited the financial statement of the City of Brazil (City), for the year ended December 31, 2010, and have issued our report thereon dated June 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 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 item 2010-1.

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

This report is intended solely for the information and use of the City's management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 16, 2011

FINANCIAL STATEMENT(S)

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

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ (409,093)	\$ 2,472,941	\$ 2,197,291	\$ (133,443)
Motor Vehicle Highway	64,364	307,591	299,783	72,172
Local Road And Street	17,127	37,441	44,384	10,184
Parks And Recreation Operating	(92)	233,647	207,308	26,247
Cemetery Operating	48,002	30,108	73,169	4,941
Park Nonreverting Operating	15,693	9,352	6,015	19,030
Economic Development Operating	22,039	-	-	22,039
Sanitation	173,278	410,037	393,575	189,740
Community Development	150	-	150	-
Unsafe Building	11,352	33,772	20,503	24,621
Cemetery Nr	25,496	5,399	15,239	15,656
Rainy Day	121,725	44,002	-	165,727
K9 Fund	-	3,069	2,964	105
Law Enforcement	2,967	4,490	1,057	6,400
Levy Excess	-	6,245	-	6,245
Nsp Grant Fund	-	1,135,052	1,135,052	-
Hri Grant Fund	-	7,075	7,075	-
Golf Course	10,270	339,739	333,150	16,859
Public Safety Loit	-	312,117	312,117	-
Emergency Response Team	(2,306)	-	-	(2,306)
Fire Education	160	-	-	160
Fire Special	30,179	16,425	-	46,604
Police Bike	19	-	-	19
Police Deferral	33,325	33,925	37,917	29,333
Police Education	19,447	7,669	5,563	21,553
Police Grant	18,643	15,700	11,158	23,185
Traffic Safety	6,033	-	-	6,033
Due To City Sanitation	59,088	9,760	1,944	66,904
Shop With A Cop	-	11,498	8,810	2,688
Redevelopment Bond	107,826	34,327	74,608	67,545
General Obligation Bond	124,252	44,384	70,934	97,702
Go/Sd Bonds 2008	66,405	73,460	65,240	74,625
2007 Pw Loan	(94,610)	210,496	107,172	8,714
Cumulative Capital Development	275,958	82,728	267,387	91,299
Cumulative Drainage	(420)	-	1,181	(1,601)
Cumulative Capital Improvement	(21,362)	36,735	-	15,373
Sidewalk Const li Fund	13,998	-	-	13,998
Sidewalk Const Bond	1,219	-	-	1,219
Police Pension	19,781	111,466	93,068	38,179
Fire Pension	297,036	428,148	189,434	535,750
Payroll	(96,363)	228,331	58,519	73,449
Health Claim	904	-	-	904
Health Reimbursement	-	72,130	55,621	16,509
Sewer-Operating	(254,841)	2,893,167	2,794,554	(156,228)
Sewer-Bond And Interest	165,773	829,606	993,143	2,236
Sewer-Debt Service Reserve	1,005,000	-	-	1,005,000
Water Utility-Operating	85,330	2,262,155	2,139,541	207,944
Water Utility-Bond And Interest	-	2,672,965	2,600,295	72,670
Water Utility-Depreciation/Improvem	-	-	-	-
Water Utility-Meter Deposit	238,886	14,210	-	253,096
Water Utility-Construction	81,328	3,068,326	3,133,807	15,847
Water Utility-Debt Reserve	11	32,629	-	32,640
Totals	<u>\$ 2,283,977</u>	<u>\$ 18,582,317</u>	<u>\$ 17,758,728</u>	<u>\$ 3,107,566</u>

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

CITY OF BRAZIL
NOTES TO FINANCIAL STATEMENT(S)

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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.

CITY OF BRAZIL
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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

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

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

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

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

E. Disbursements

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

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

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

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

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

CITY OF BRAZIL
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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

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

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

F. Interfund Transfers

The City 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 City. 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 City. 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 City 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 City 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 City 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.

CITY OF BRAZIL
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Note 4. Deposits and Investments

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

State statutes authorize the City 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 City 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 City to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement and replacement items purchased.

Note 6. Pension Plan(s)

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City 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.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

CITY OF BRAZIL
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under Indiana Code 5-10.3-11.

C. 1937 Firefighters' Pension Plan

Plan Description

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under Indiana Code 5-10.3-11.

CITY OF BRAZIL
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

D. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of PERF.

SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

	General	Motor Vehicle Highway	Local Road And Street	Parks And Recreation Operating	Cemetery Operating	Park Nonreverting Operating	Economic Development Operating
Cash and investments - beginning	\$ (409,093)	\$ 64,364	\$ 17,127	\$ (92)	\$ 48,002	\$ 15,693	\$ 22,039
Receipts:							
Taxes	1,141,710	60,188	-	174,658	23,308	-	-
Licenses and permits	30,610	50	-	-	-	-	-
Intergovernmental	1,133,511	232,746	37,441	13,111	1,750	-	-
Charges for services	47,359	-	-	38,960	5,050	-	-
Fines and forfeits	1,932	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	<u>117,819</u>	<u>14,607</u>	<u>-</u>	<u>6,918</u>	<u>-</u>	<u>9,352</u>	<u>-</u>
Total receipts	<u>2,472,941</u>	<u>307,591</u>	<u>37,441</u>	<u>233,647</u>	<u>30,108</u>	<u>9,352</u>	<u>-</u>
Disbursements:							
Personal services	1,485,473	186,310	-	99,421	45,489	-	-
Supplies	98,845	37,369	44,384	15,628	1,365	1,575	-
Other services and charges	375,449	71,140	-	92,259	26,235	3,442	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	33,593	-	-	-	80	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	<u>203,931</u>	<u>4,964</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>998</u>	<u>-</u>
Total disbursements	<u>2,197,291</u>	<u>299,783</u>	<u>44,384</u>	<u>207,308</u>	<u>73,169</u>	<u>6,015</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>275,650</u>	<u>7,808</u>	<u>(6,943)</u>	<u>26,339</u>	<u>(43,061)</u>	<u>3,337</u>	<u>-</u>
Cash and investments - ending	<u>\$ (133,443)</u>	<u>\$ 72,172</u>	<u>\$ 10,184</u>	<u>\$ 26,247</u>	<u>\$ 4,941</u>	<u>\$ 19,030</u>	<u>\$ 22,039</u>

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

	Sanitation	Community Development	Unsafe Building	Cemetery Nr	Rainy Day	K9 Fund	Law Enforcement
Cash and investments - beginning	\$ 173,278	\$ 150	\$ 11,352	\$ 25,496	\$ 121,725	\$ -	\$ 2,967
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	44,002	-	-
Charges for services	409,832	-	33,772	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	205	-	-	5,399	-	3,069	4,490
Total receipts	410,037	-	33,772	5,399	44,002	3,069	4,490
Disbursements:							
Personal services	150,011	-	77	-	-	-	-
Supplies	29,236	-	-	-	-	494	1,057
Other services and charges	181,742	150	20,426	6,439	-	2,470	-
Debt service - principal and interest	24,586	-	-	-	-	-	-
Capital outlay	8,000	-	-	8,800	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	393,575	150	20,503	15,239	-	2,964	1,057
Excess (deficiency) of receipts over disbursements	16,462	(150)	13,269	(9,840)	44,002	105	3,433
Cash and investments - ending	\$ 189,740	\$ -	\$ 24,621	\$ 15,656	\$ 165,727	\$ 105	\$ 6,400

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

	Levy Excess	Nsp Grant Fund	Hri Grant Fund	Golf Course	Public Safety Loit	Emergency Response Team	Fire Education
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 10,270	\$ -	\$ (2,306)	\$ 160
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	312,117	-	-
Charges for services	-	-	-	339,711	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	<u>6,245</u>	<u>1,135,052</u>	<u>7,075</u>	<u>28</u>	-	-	-
Total receipts	<u>6,245</u>	<u>1,135,052</u>	<u>7,075</u>	<u>339,739</u>	<u>312,117</u>	-	-
Disbursements:							
Personal services	-	-	-	157,125	312,117	-	-
Supplies	-	-	-	52,602	-	-	-
Other services and charges	-	923,828	7,075	99,742	-	-	-
Debt service - principal and interest	-	-	-	19,740	-	-	-
Capital outlay	-	111,907	-	3,941	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	<u>99,317</u>	-	-	-	-	-
Total disbursements	-	<u>1,135,052</u>	<u>7,075</u>	<u>333,150</u>	<u>312,117</u>	-	-
Excess (deficiency) of receipts over disbursements	<u>6,245</u>	-	-	<u>6,589</u>	-	-	-
Cash and investments - ending	<u>\$ 6,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,859</u>	<u>\$ -</u>	<u>\$ (2,306)</u>	<u>\$ 160</u>

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

	Fire Special	Police Bike	Police Deferral	Police Education	Police Grant	Traffic Safety	Due To City Sanitation
Cash and investments - beginning	\$ 30,179	\$ 19	\$ 33,325	\$ 19,447	\$ 18,643	\$ 6,033	\$ 59,088
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	2,440	-	-	-
Intergovernmental	-	-	-	-	15,700	-	-
Charges for services	-	-	-	5,034	-	-	9,694
Fines and forfeits	-	-	25,570	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	16,425	-	8,355	195	-	-	66
Total receipts	16,425	-	33,925	7,669	15,700	-	9,760
Disbursements:							
Personal services	-	-	-	-	5,458	-	-
Supplies	-	-	565	2,594	-	-	-
Other services and charges	-	-	15,980	2,969	5,700	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	21,372	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	1,944
Total disbursements	-	-	37,917	5,563	11,158	-	1,944
Excess (deficiency) of receipts over disbursements	16,425	-	(3,992)	2,106	4,542	-	7,816
Cash and investments - ending	\$ 46,604	\$ 19	\$ 29,333	\$ 21,553	\$ 23,185	\$ 6,033	\$ 66,904

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

	Shop With A Cop	Redevelopment Bond	General Obligation Bond	Go/Sd Bonds 2008	2007 Pw Loan	Cumulative Capital Development	Cumulative Drainage
Cash and investments - beginning	\$ -	\$ 107,826	\$ 124,252	\$ 66,405	\$ (94,610)	\$ 275,958	\$ (420)
Receipts:							
Taxes	-	31,930	39,594	68,330	197,488	76,952	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	2,397	4,790	5,130	13,008	5,776	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	11,498	-	-	-	-	-	-
Total receipts	<u>11,498</u>	<u>34,327</u>	<u>44,384</u>	<u>73,460</u>	<u>210,496</u>	<u>82,728</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	8,810	-	-	-	-	5,428	1,181
Debt service - principal and interest	-	74,608	70,934	65,240	107,172	-	-
Capital outlay	-	-	-	-	-	261,959	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>8,810</u>	<u>74,608</u>	<u>70,934</u>	<u>65,240</u>	<u>107,172</u>	<u>267,387</u>	<u>1,181</u>
Excess (deficiency) of receipts over disbursements	<u>2,688</u>	<u>(40,281)</u>	<u>(26,550)</u>	<u>8,220</u>	<u>103,324</u>	<u>(184,659)</u>	<u>(1,181)</u>
Cash and investments - ending	<u>\$ 2,688</u>	<u>\$ 67,545</u>	<u>\$ 97,702</u>	<u>\$ 74,625</u>	<u>\$ 8,714</u>	<u>\$ 91,299</u>	<u>\$ (1,601)</u>

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

	Cumulative Capital Improvement	Sidewalk Const li Fund	Sidewalk Const Bond	Police Pension	Fire Pension	Payroll
Cash and investments - beginning	\$ (21,362)	\$ 13,998	\$ 1,219	\$ 19,781	\$ 297,036	\$ (96,363)
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	36,735	-	-	111,466	428,148	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	-	-	-	228,331
Total receipts	36,735	-	-	111,466	428,148	228,331
Disbursements:						
Personal services	-	-	-	93,068	185,732	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	3,702	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	58,519
Total disbursements	-	-	-	93,068	189,434	58,519
Excess (deficiency) of receipts over disbursements	36,735	-	-	18,398	238,714	169,812
Cash and investments - ending	\$ 15,373	\$ 13,998	\$ 1,219	\$ 38,179	\$ 535,750	\$ 73,449

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

	Health Claim	Health Reimbursement	Sewer-Operating	Sewer-Bond And Interest	Sewer-Debt Service Reserve	Water Utility-Operating
Cash and investments - beginning	\$ 904	\$ -	\$ (254,841)	\$ 165,773	\$ 1,005,000	\$ 85,330
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	1,628,980	-	-	1,645,077
Penalties	-	-	-	-	-	10,650
Other receipts	-	72,130	1,264,187	829,606	-	606,428
Total receipts	-	72,130	2,893,167	829,606	-	2,262,155
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	255,379	-	209,560
Capital outlay	-	-	129,385	-	-	116,312
Utility operating expenses	-	-	1,151,714	-	-	925,235
Other disbursements	-	55,621	1,513,455	737,764	-	888,434
Total disbursements	-	55,621	2,794,554	993,143	-	2,139,541
Excess (deficiency) of receipts over disbursements	-	16,509	98,613	(163,537)	-	122,614
Cash and investments - ending	\$ 904	\$ 16,509	\$ (156,228)	\$ 2,236	\$ 1,005,000	\$ 207,944

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

	Water Utility-Bond And Interest	Water Utility-Depreciation/Improvem	Water Utility-Meter Deposit	Water Utility-Construction	Water Utility-Debt Reserve	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 238,886	\$ 81,328	\$ 11	\$ 2,283,977
Receipts:						
Taxes	-	-	-	-	-	1,814,158
Licenses and permits	-	-	-	-	-	33,100
Intergovernmental	-	-	-	-	-	2,397,828
Charges for services	-	-	-	-	-	889,412
Fines and forfeits	-	-	-	-	-	27,502
Utility fees	-	-	309	-	-	3,274,366
Penalties	-	-	-	-	-	10,650
Other receipts	<u>2,672,965</u>	<u>-</u>	<u>13,901</u>	<u>3,068,326</u>	<u>32,629</u>	<u>10,135,301</u>
Total receipts	<u>2,672,965</u>	<u>-</u>	<u>14,210</u>	<u>3,068,326</u>	<u>32,629</u>	<u>18,582,317</u>
Disbursements:						
Personal services	-	-	-	-	-	2,720,281
Supplies	-	-	-	-	-	285,714
Other services and charges	-	-	-	-	-	1,854,167
Debt service - principal and interest	116,305	-	-	-	-	943,524
Capital outlay	-	-	-	1,703,496	-	2,398,845
Utility operating expenses	-	-	-	-	-	2,076,949
Other disbursements	<u>2,483,990</u>	<u>-</u>	<u>-</u>	<u>1,430,311</u>	<u>-</u>	<u>7,479,248</u>
Total disbursements	<u>2,600,295</u>	<u>-</u>	<u>-</u>	<u>3,133,807</u>	<u>-</u>	<u>17,758,728</u>
Excess (deficiency) of receipts over disbursements	<u>72,670</u>	<u>-</u>	<u>14,210</u>	<u>(65,481)</u>	<u>32,629</u>	<u>823,589</u>
Cash and investments - ending	<u>\$ 72,670</u>	<u>\$ -</u>	<u>\$ 253,096</u>	<u>\$ 15,847</u>	<u>\$ 32,640</u>	<u>\$ 3,107,566</u>

CITY OF BRAZIL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable	\$ 300,000	\$ 100,000
Bonds payable:		
General obligation bonds:		
Series 2002	485,000	50,000
Special Taxing District, Series 2002	530,000	55,000
2008 - Series A	315,000	5,000
2008 - Series B	<u>655,000</u>	<u>10,000</u>
Total governmental activities debt	<u>\$ 2,285,000</u>	<u>\$ 220,000</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
SRF Loan of 2010	\$ 4,670,000	\$ -
Supplemental SRF Loan of 2010	<u>322,000</u>	<u>84,000</u>
Total Water Utility	<u>4,992,000</u>	<u>84,000</u>
Wastewater Utility		
Revenue bonds:		
Refunding Revenue Bonds of 2004	<u>5,935,000</u>	<u>755,000</u>
Total business-type activities debt	<u>\$ 10,927,000</u>	<u>\$ 839,000</u>

CITY OF BRAZIL
AUDIT RESULT(S) AND COMMENT(S)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING – (Applies to City)

We noted deficiencies in the internal control system of the City of Brazil related to financial transactions and reports. We believe the following deficiencies constitute material weaknesses:

1. The Clerk-Treasurer submitted accounts payable claims to the Board of Public Works for approval without presenting a claims docket and as a result there was no evidence that the Board of Public Works approved all claims.
2. There is no monitoring of bank reconciliements. Receipts and disbursements were not always posted into the records. The Sidewalk Construction Bond Fund and the Sidewalk Construction II Fund were omitted from the general ledger.

We advised the Clerk-Treasurer to fill out and present the claims docket listing all claims to be approved by the Board of Public Works.

We recommended the City officials develop and implement Internal Controls over receipting, disbursing, recording and accounting of financial activities which would provide reliable records and accurate financial statements.

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)

CASH MANAGEMENT – (Applies to City)

The City of Brazil received a Neighborhood Stabilization Program (NSP) grant for \$1,435,350 on July 1, 2009. During 2010, the City was not effectively monitoring the cash balance of the grant in order to ensure that the time between receipt and disbursement of federal funds was minimized. The City did not have proper procedures or controls in place to ensure compliance. Seven out of fifteen drawdowns tested were not disbursed within the three day requirement.

Neighborhood Stabilization Program Funds Management April 2009 Manual states in part: "NSP recipients have three business days to disburse drawn funds from their local NSP account to a \$5,000 balance or less. The NSP recipient must begin counting the three days from the date it receives the NSP reimbursement check from IHADA. If the recipient is unable to disburse the federal funds in a timely manner, the recipient must immediately return the funds to IHADA."

We recommended that the City of Brazil monitor their cash balance of the grant to ensure federal funds are disbursed within three business days of receipt.

CITY OF BRAZIL
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

OVERPAYMENT OF SALARY - (Applies to City)

The City Golf Pro entered into an employment agreement from January 1, 2010 to December 31, 2011, setting the annual salary at \$21,000. Records presented for audit show that the City Golf Pro was paid \$22,683.01 in 2010 resulting in an overpayment of \$1,683.07. The City Golf Pro was requested to reimburse the City Golf Course \$1,683.07 for the overpayment.

The Golf Pro repaid the City Golf Course \$1,683.07 in full on June 15, 2011 (Receipt 00421473).

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES (Applies to City)

As stated, in the prior Report B38407, credit card and accounts payable claims were paid late and as a result, finance charges were assessed and paid by the City and Golf Course. The City and the Golf Course were assessed and paid late fees and finance charges of \$81.00 and \$535.26, respectively, during 2010. The Clerk-Treasurer and Golf Pro were requested to reimburse the City and Golf Course for the assessed charges paid.

The Clerk-Treasurer repaid the \$81.00 to the City in full on June 14, 2011 (Receipt 00421296). The Golf Pro repaid the \$535.26 to the City Golf Course in full on June 15, 2011 (Receipt 00421473).

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT ISSUANCE - (Applies to City)

In some instances receipts were not issued or recorded.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF BRAZIL
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

OVERDRAWN CASH BALANCES - (Applies to City and Utilities)

As stated in the prior Reports B35611 and B38407, the cash balance of the General Fund, Emergency Response Team Fund, Cumulative Drainage Fund, and Sewer Operating Fund were overdrawn in 2010.

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

APPROPRIATIONS - (Applies to City)

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Local Road and Street	2010	\$ 30,507
Sanitation	2010	15,475
Cumulative Capital Development	2010	36,860

Indiana Code 6-1.1-18-4 states, in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

CERTIFIED REPORT NOT FILED - (Applies to City and Utilities)

The City did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the year 2010.

Indiana Code 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

MILEAGE ORDINANCE (Applies to City)

As stated in prior Report B38407, the City paid employees for mileage reimbursement at various rates without an approved ordinance. Some employees were reimbursed at 50.5 cents per mile while the Clerk-Treasurer was reimbursed at 51 cents per mile. On November 10, 2010, Ordinance 12-2010 was adopted establishing policies for mileage and expense reimbursement.

CITY OF BRAZIL
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

A local unit may reimburse such persons for actual miles traveled in their own motor vehicles on official business of the local unit at a reasonable rate per mile as fixed by an ordinance or resolution of the unit's legislative body. The mileage rate should be fixed by the board or commission having authority to approve claims for travel expenses. No particular mileage rate has been set by the State of Indiana for local units of government and, consequently, the mileage rate lies within the discretion of legislative body, board or commission, unless otherwise provided by statute. The body setting the mileage rate should also determine whether parking fees and toll charges are included in the rate or, on the other hand, whether such expenses are to be reimbursed separately based on the submission or receipts. (Cities and Towns Bulletin, March 2009)

DEPOSITS - (Applies to City)

As stated in the prior Report B38407, for receipts tested, 22 receipts were deposited up to 26 days after the date received.

Indiana Code 5-13-6-1(d) states:

"A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

CONDITION OF RECORDS - (Applies to City)

Financial records presented for audit were incomplete and not reflective of activity of the K9 Fund. The records presented did not provide sufficient information to audit receipts, disbursements, and ending balances, or the accuracy or correctness of the transactions. On April 7, 2010, the K9 Fund account at First Financial Bank was closed and the balance was deposited into the General Fund bank account, instead of the other existing K9 account at Riddell National Bank, and receipted to the General Fund.

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

ORDINANCES AND RESOLUTIONS – (Applies to City and Utilities)

The City and Utilities have an ordinance concerning salaries. However, the Salary Ordinance approved and signed by the Clerk-Treasurer, Mayor and City Council listed an incorrect amount for the 5th year tier employee pay. Records indicate that this error was discovered and hand written over on the Clerk-Treasurer's copy and paid accordingly. This error was not mentioned or corrected in the City Council minutes. We advised the Mayor she could have this corrected at a council meeting stating that this was an error and the amount paid was the intended amount. On April 27, 2011, Ordinance 5-2011 was adopted to amend the 2010 salary ordinance.

CITY OF BRAZIL
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

We suggest the salary ordinance be reviewed by the Clerk-Treasurer and Mayor before it is presented for adoption at a council meeting. It is also the responsibility of the City Council to be aware and review the ordinances before adopting.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ERRORS ON CLAIMS – (Applies to City)

The following deficiencies were noted on claims during the audit period:

- (1) Claims were not always certified by the fiscal officer.
- (2) Claims or invoices did not always have evidence to support receipt of goods or services.
- (3) Not all claims were accompanied by supporting documentation.

Indiana Code 5-11-10-1.6 states in part:

IC 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

PRESCRIBED FORMS - (Applies to City)

The following prescribed or approved forms were not always in use:

General Form 364 Accounts Payable Voucher Register
General Form 356 General Check

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

CITY OF BRAZIL
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

SALES TAX - (Applies to City)

Sales tax was paid on some purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OLD OUTSTANDING CHECKS (WARRANTS) - (Applies to City and Utilities)

As stated in prior Report B38407, our review of the bank reconcilements as of December 31, 2010, revealed checks outstanding in excess of two years. On February 25, 2011, the Utilities receipted these outstanding checks in excess of two years into their respective funds. The City's checks were receipted into the records on May 12, 2011.

Indiana Code 5-11-10.5-2 states:

"All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states in part:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the: (1) board of finance of a political subdivision; or (2) the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

CITY OF BRAZIL
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

BANK ACCOUNT RECONCILIATIONS - (Applies to City)

Depository reconciliations of the fund balances to the bank account balances were incorrect. The General Treasury Account reconciliation at December 31, 2010, did not include the Sidewalk Construction Bond Fund or the Sidewalk Construction II Fund due to these funds being omitted from the General Ledger. These funds have been dormant since 2006. The General Treasury Account is the pooling of City monies with the majority of City funds comprising the balance of the bank account. The account excludes the Utilities' funds.

In addition, depository reconciliations of the fund balances to the bank account balances were incorrect for the Fire Special Fund and the Payroll Fund. A similar comment has been reported in the prior two audit reports.

Indiana Code 5-13-6-1(e) states:

"All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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

CUSTOMER DEPOSIT REGISTER - (Applies to Utility)

The customer deposit register detail does not reconcile with the customer deposit control. The control register exceeds the detail register amount by \$24,332 at December 31, 2010.

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

UTILITY BILL ADJUSTMENTS - (Applies to Utilities)

The Water and Wastewater Utility records indicate that adjustments were made to customer accounts without an Application for Adjustment on file from the customer. The Utility policy on adjustments states: "If it is the customer's problem and they are eligible for an adjustment; they must complete an application for adjustment with the water works office stating when and where the leak occurred, when the leak was repaired."

Each governmental unit is responsible for complying with ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF BRAZIL
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

OFFICIAL BOND (Applies to City)

The 2010 official bond for the Clerk-Treasurer did not provide enough coverage per Indiana Code 5-4-1-18.

Prior to legislative revision, effective July 1, 2011, Indiana Code 5-4-1-18 stated in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any).

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount of annual coverage must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount of annual coverage may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount of annual coverage for the officer or employee."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF BRAZIL, CLAY COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Brazil (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2010. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2010-2.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

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 significant deficiencies or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been 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 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 2010-2 to be material weaknesses.

The City's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the City's management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 16, 2011

CITY OF BRAZIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2010

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Housing and Community Development Authority Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		
		D92-09-089	\$ 67,800
		HD-008-028	83,283
		NSP1-0090914	<u>966,566</u>
Total for federal grantor agency			<u>1,117,649</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Indiana Criminal Justice Institute ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.804		
			<u>15,000</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute Safety Belt Performance Grant	20.609		
		032NH 4062010-03	2,482
		032NHTSA4022011	<u>1,100</u>
Total for federal grantor agency			<u>3,582</u>
<u>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Drinking Water State Revolving Funds	66.468		
			<u>774,301</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Office of Community and Rural Affairs Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036		
			<u>14,069</u>
Total federal awards expended			<u>\$ 1,924,601</u>

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

CITY OF BRAZIL
NOTE(S) TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

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

CITY OF BRAZIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement(s):

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	no
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	no
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii
66.468	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 2010-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the City of Brazil related to financial transactions and reports. We believe the following deficiencies constitute material weaknesses:

1. The Clerk-Treasurer submitted accounts payable claims to the Board of Public Works for approval without presenting a claims docket and as a result there was no evidence that the Board of Public Works approved all claims.
2. There was no monitoring of bank reconciliements. Receipts and disbursements were not always posted into the records. The Sidewalk Construction Bond Fund and the Sidewalk Construction II Fund were omitted from the general ledger.

CITY OF BRAZIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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)

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-2 - CASH MANAGEMENT

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grant/State's Program
and Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Pass-Through Entity: Indiana Housing and Community Development Authority

The City of Brazil received a Neighborhood Stabilization Program (NSP) grant for \$1,435,350 on July 1, 2009. During 2010, the City was not effectively monitoring the cash balance of the grant in order to ensure that the time between receipt and disbursement of federal funds was minimized. The City did not have proper procedures or controls in place to ensure compliance. Seven out of fifteen drawdowns tested were not disbursed within the three day requirement.

The Neighborhood Stabilization Program Funds Management April 2009 manual states in part:

"NSP recipients have three business days to disburse drawn funds from their local NSP account to a \$5,000 balance or less. The NSP recipient must begin counting the three days from the date it receives the NSP reimbursement check from IHCD. If the recipient is unable to disburse the federal funds in a timely manner, the recipient must immediately return the funds to IHCD."

We recommended that the City of Brazil monitor their cash balance of the grant to ensure federal funds are disbursed within three business days of receipt.

CITY OF BRAZIL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



CITY OF BRAZIL

A. Ann Bradshaw, Mayor
Karen McQueen, Clerk-Treasurer

203 East National Avenue
Brazil, Indiana 47834
Phone: (812) 443-2221
Fax: (812) 446-0337
www.brazil.in.gov

May 25, 2011

Re: 2010 Federal Audit of City of Brazil
Federal Finding 2010-1, Internal Controls Over Financial Transactions and Reporting
Auditee Contact Person: Karen McQueen
Title of Contact Person: Clerk-Treasurer
Phone Number: 812-448-8403
Expected Completion Date: April 28, 2011 & January 1, 2011

Dear Sirs,

The corrective action planned for this finding is stated below:

The finding noted that the Clerk-Treasurer Submitted accounts payable claims to the Board of Public Works for approval without presenting a claims docket and as a result there was no evidence that the Board of Public Works approved all claims. I have reviewed our procedures and intend to initiate a docket system with every Board of Works meeting. Furthermore, I intend to review all docket paperwork after it has been approved by Board of Works members.

The finding noted that no monitoring of bank reconcilements, receipts and disbursements were not always posted into the records, and the sidewalk improvement and sidewalk capital project funds were omitted from the general ledger. I have also reviewed these findings and have as of January 1, 2011 started to review all bank reconcilements and have made sure that all receipts and disbursements have been posted. As of July 1, 2011, the Sidewalk Improvement and Sidewalk Capital Project Funds will be added back to the general ledger. Also all work from this office will be looked over by two to three individuals to lessen errors.

If you have any further questions or concerns, please do not hesitate to contact me.

Sincerely,

Karen McQueen,
Clerk-Treasurer
City of Brazil



CITY OF BRAZIL

A. Ann Bradshaw, Mayor
Karen McQueen, Clerk-Treasurer

203 East National Avenue
Brazil, Indiana 47834
Phone: (812) 443-2221
Fax: (812) 446-0337
www.brazil.in.gov

May 25, 2011

Federal Agency: US Department of Housing and Urban Development
Federal Program: Community Development Block Grant/State's Program and
Non-Entitlement Grants in Hawaii (State-Administered Small Cities Program)
CFDA Number 14.228
Pass-through Entity: Indiana Housing Community Development Authority

Re: 2010 Federal Audit of City of Brazil
Federal Finding 2010-2, Cash Management
Auditee Contact Person: Karen McQueen
Title of Contact Person: Clerk-Treasurer
Phone Number: 812-448-8403
Expected Completion Date: January 1, 2011

Dear Sirs,

The corrective action planned for this finding is stated below:

The finding noted that there was not effective monitoring of the cash balance of the grant account in order to ensure the time between receipt and disbursement of federal funds was minimized and that the City did not have proper procedures or controls in place to ensure compliance with the 3-day disbursement rule. I have reviewed our procedure and intend to designate my Deputy Clerk to be responsible for checking the automatic deposit of grant funds into the grant account. I will instruct the grant administrator to forward any e-mails from the IHCDCA regarding the ACH deposits to my Deputy Clerk along with the City's Planning Administrator so that they are both aware that the deposit is pending also. I further plan to instruct my Deputy Clerk to issue the checks as soon as the money is deposited into this account. This procedure will ensure that the disbursements will be made within the required 3-day deadline.

If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Karen McQueen,
Clerk-Treasurer
City of Brazil

CITY OF BRAZIL
EXIT CONFERENCE

The contents of this report were discussed on June 16, 2011, with Karen McQueen, Clerk-Treasurer, and Samuel N. Glover, President of the Common Council. The officials concurred with our audit findings.

The contents of this report were discussed on June 16, 2011, with Mark Rogers, City Golf Pro. The Official Response has been made a part of this report and may be found on page 44.

My comments are as follows.

The late fee payments are for bills that have always been paid through a separate department or are normally paid directly. Oversight procedures have been set in place to ensure that those are approved by me before being paid.

My paycheck is direct deposit on a two year contract. There was a double pay, and with split pays at the end and beginning of some years. I was unaware of this mistake. Repayment has been made and information noted for future reference.

Sincerely,

Mark Rogers
Forest Park Golf Professional.