

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF BRAZIL
CLAY COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
08/26/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Karen McQueen	01-01-14 to 12-31-19
Mayor	Brian Wyndham	01-01-14 to 12-31-19
President of the Board of Public Works and Safety	Brian Wyndham	01-01-14 to 12-31-16
President Pro Tempore of the Common Council	Tyler W. Hutcheson P. Brad Deal	01-01-14 to 12-31-14 01-01-15 to 12-31-16
Superintendent of Water Utility	Jacob D. Raubach Shawnette Szekely	01-01-14 to 12-31-14 01-01-15 to 12-31-16
Superintendent of Wastewater Utility	William Goodrich	01-01-14 to 12-31-16
Utility Office Manager	Delores M. Elder	01-01-14 to 12-31-16



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Brazil (City), which comprises the financial position and results of operations for the year ended December 31, 2014, 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 of material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

As discussed in Note 1 of the financial statement, the City 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 City for the year ended December 31, 2014.

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 City for the year ended December 31, 2014, 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 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. 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.

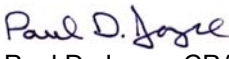
Other Information

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the 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 July 6, 2016, 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* in considering the City's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

July 6, 2016



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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 CITY OF BRAZIL, CLAY 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 City of Brazil (City), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated July 6, 2016, wherein we noted the City 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 City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 to be a material weakness.

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

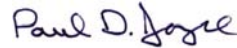
As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001.

City of Brazil's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City'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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

July 6, 2016

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

CITY OF BRAZIL
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2014

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
GENERAL FUND	\$ 166,568	\$ 3,017,531	\$ 2,514,013	\$ 670,086
MVH	90,889	385,848	393,163	83,574
LOCAL RDS & STS	6,232	33,121	36,058	3,295
ECONOMIC DEVELOPMENT	22,039	-	-	22,039
Sanitation	155,797	394,704	378,970	171,531
POLICE EDUCATION	4,874	7,148	6,497	5,525
UNSAFE BUILDING FUND	14,913	3,423	617	17,719
PARKS	79,013	189,002	229,561	38,454
RAINY DAY FUND	78,598	-	-	78,598
K-9 Fund	1,021	-	-	1,021
Levy Excess Fund	6,245	-	-	6,245
CCD	178,552	77,810	122,164	134,198
PARKS NON REVERTING	13,001	22,530	6,797	28,734
POLICE BIKE FUND	19	-	-	19
REDEV 13	-	2,529,231	2,016,756	512,475
Cumulative Drainage Fund	(1,601)	-	-	(1,601)
PAVING LEASE RENTAL	-	103,119	-	103,119
CCI	76,421	20,928	900	96,449
POLICE PENSION	50,441	234,672	224,894	60,219
FIRE PENSION	325,010	366,523	360,041	331,492
LOIT - Public Safety	41,867	331,749	326,700	46,916
CEMETERY	(8,118)	46,593	27,684	10,791
GEN. OBLIGATION BOND	267,202	71,995	263,447	75,750
REDEVELOPMENT BOND	50,991	107,908	75,675	83,224
CEMETERY NON REVERTING	15,658	5,778	1,189	20,247
EMERGENCY RESPONSE TEAM	(2,306)	-	-	(2,306)
POLICE GRANT	29,437	3,905	-	33,342
POLICE DEFERRAL	29,073	8,470	35,628	1,915
GOLF FUND	6,700	356,205	341,514	21,391
Shop With A Cop	4,643	14,650	14,025	5,268
LAW ENFORCEMENT	262	-	-	262
TRAFFIC SAFETY	(5,495)	-	-	(5,495)
FIRE EDUCATION	160	20	-	180
FIREFIGHTERS SPECIAL	40,555	10,924	-	51,479
FIRE PREVENTION FUND	1,027	1,125	1,000	1,152
OIL REVENUE FUND	44,552	37,773	71,303	11,022
WHEEL TAX	81,724	94,308	100,000	76,032
2007 PW LOAN	(187,597)	187,597	-	-
2008 GO/SPEC DIST BONDS	91,861	194,611	120,898	165,574
SIDEWALK CONST BOND	1,219	-	-	1,219
SIDEWALK CONST II	13,998	-	-	13,998
DUE TO CITY SANITATION	37,731	6,425	2,123	42,033
PAYROLL FUND	120,787	3,485,138	3,621,306	(15,381)
HEALTH CLAIM FUND	904	-	-	904
Health Reimbursement	37,862	45,811	54,936	28,737
Sewer - Oper. & Maint.	725,030	3,067,578	3,221,122	571,486
Sewer - Depreciation	183,414	700,970	236,107	648,277
Sewer - Bond & Interest	-	3,823,336	3,821,045	2,291
Sewer - Debt Service Rsrv	1,005,000	877	344,877	661,000
Sewer - Construction	2,068,366	24,465	1,057,269	1,035,562
Pogues Run Grant	(108,050)	712,475	837,886	(233,461)
Water - Oper. & Maint.	1,065,133	2,352,902	3,151,580	266,455
Water - Meter Deposits	281,419	65,492	54,940	291,971
WATER-IMPROVEMENT	(509,937)	709,380	189,408	10,035
Water - Bond & Interest	170,964	325,800	161,857	334,907
Water - Debt Service Rsrv	228,408	65,256	-	293,664
Water - Construction	29,343	2,783	2,765	29,361
Totals	<u>\$ 7,121,819</u>	<u>\$ 24,247,889</u>	<u>\$ 24,426,715</u>	<u>\$ 6,942,993</u>

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

CITY OF BRAZIL
NOTES TO FINANCIAL STATEMENT

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 presents the financial information for the City.

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, which can include 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, 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 licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF BRAZIL
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts, which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of these types of receipts include, but are not limited to, the following: 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.

Penalties, which include fees received for late payments.

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

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services, which 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, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest, which includes 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
(Continued)

Capital outlay, which includes 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
(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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF BRAZIL
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

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 Indiana Public Retirement System 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 Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

CITY OF BRAZIL
NOTES TO FINANCIAL STATEMENT
(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 Retirement System (INPRS) 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.

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of expenditures exceeding revenues and funds being set up for reimbursable grants. The reimbursement for expenditures made by the City were not received by December 31, 2014.

OTHER INFORMATION - UNAUDITED

The City's Annual Financial Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

The other information presented was approved by management of the City. It is presented as intended by the City.

CITY OF BRAZIL
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2014

	GENERAL FUND	MVH	LOCAL RDS & STS	ECONOMIC DEVELOPMENT	Sanitation	POLICE EDUCATION	UNSAFE BUILDING FUND	PARKS
Cash and investments - beginning	\$ 166,568	\$ 90,889	\$ 6,232	\$ 22,039	\$ 155,797	\$ 4,874	\$ 14,913	\$ 79,013
Receipts:								
Taxes	1,353,347	99,052	-	-	-	-	-	148,104
Licenses and permits	33,817	-	-	-	-	2,600	-	-
Intergovernmental	1,436,422	286,796	33,121	-	-	-	-	11,962
Charges for services	25,182	-	-	-	-	2,345	3,423	24,578
Fines and forfeits	12,041	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	156,722	-	-	-	394,704	2,203	-	4,358
Total receipts	3,017,531	385,848	33,121	-	394,704	7,148	3,423	189,002
Disbursements:								
Personal services	1,929,298	274,561	-	-	139,508	-	-	95,248
Supplies	95,327	39,041	33,068	-	164,715	6,497	-	33,134
Other services and charges	396,451	79,561	2,990	-	74,747	-	617	77,186
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	92,937	-	-	-	-	-	-	23,993
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-
Total disbursements	2,514,013	393,163	36,058	-	378,970	6,497	617	229,561
Excess (deficiency) of receipts over disbursements	503,518	(7,315)	(2,937)	-	15,734	651	2,806	(40,559)
Cash and investments - ending	\$ 670,086	\$ 83,574	\$ 3,295	\$ 22,039	\$ 171,531	\$ 5,525	\$ 17,719	\$ 38,454

CITY OF BRAZIL
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2014
(Continued)

	RAINY DAY FUND	K-9 Fund	Levy Excess Fund	CCD	PARKS NON REVERTING	POLICE BIKE FUND	REDEV 13	Cumulative Drainage Fund
Cash and investments - beginning	\$ 78,598	\$ 1,021	\$ 6,245	\$ 178,552	\$ 13,001	\$ 19	\$ -	\$ (1,601)
Receipts:								
Taxes	-	-	-	71,995	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	5,815	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	22,530	-	2,529,231	-
Total receipts	-	-	-	77,810	22,530	-	2,529,231	-
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	1,275	-	-	-
Other services and charges	-	-	-	56,149	2,497	-	2,016,756	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	66,015	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	3,025	-	-	-
Total disbursements	-	-	-	122,164	6,797	-	2,016,756	-
Excess (deficiency) of receipts over disbursements	-	-	-	(44,354)	15,733	-	512,475	-
Cash and investments - ending	\$ 78,598	\$ 1,021	\$ 6,245	\$ 134,198	\$ 28,734	\$ 19	\$ 512,475	\$ (1,601)

CITY OF BRAZIL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	PAVING LEASE RENTAL	CCI	POLICE PENSION	FIRE PENSION	LOIT - Public Safety	CEMETERY	GEN. OBLIGATION BOND
Cash and investments - beginning	\$ -	\$ 76,421	\$ 50,441	\$ 325,010	\$ 41,867	\$ (8,118)	\$ 267,202
Receipts:							
Taxes	95,413	-	-	-	-	34,969	66,615
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	7,706	20,928	-	-	331,749	2,824	5,380
Charges for services	-	-	-	-	-	8,800	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	234,672	366,523	-	-	-
Total receipts	103,119	20,928	234,672	366,523	331,749	46,593	71,995
Disbursements:							
Personal services	-	-	224,554	358,807	326,700	-	-
Supplies	-	-	235	853	-	-	-
Other services and charges	-	900	105	105	-	27,684	-
Debt service - principal and interest	-	-	-	-	-	-	75,850
Capital outlay	-	-	-	276	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	187,597
Total disbursements	-	900	224,894	360,041	326,700	27,684	263,447
Excess (deficiency) of receipts over disbursements	103,119	20,028	9,778	6,482	5,049	18,909	(191,452)
Cash and investments - ending	\$ 103,119	\$ 96,449	\$ 60,219	\$ 331,492	\$ 46,916	\$ 10,791	\$ 75,750

CITY OF BRAZIL
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2014
(Continued)

	REDEVELOPMENT BOND	CEMETERY NON REVERTING	EMERGENCY RESPONSE TEAM	POLICE GRANT	POLICE DEFERRAL	GOLF FUND	Shop With A Cop
Cash and investments - beginning	\$ 50,991	\$ 15,658	\$ (2,306)	\$ 29,437	\$ 29,073	\$ 6,700	\$ 4,643
Receipts:							
Taxes	99,844	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	8,064	-	-	3,905	-	-	-
Charges for services	-	-	-	-	-	312,015	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	5,778	-	-	8,470	44,190	14,650
Total receipts	107,908	5,778	-	3,905	8,470	356,205	14,650
Disbursements:							
Personal services	-	-	-	-	-	133,796	-
Supplies	-	1,189	-	-	989	49,165	-
Other services and charges	-	-	-	-	2,310	102,670	14,025
Debt service - principal and interest	75,675	-	-	-	-	50,808	-
Capital outlay	-	-	-	-	32,329	3,255	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	1,820	-
Total disbursements	75,675	1,189	-	-	35,628	341,514	14,025
Excess (deficiency) of receipts over disbursements	32,233	4,589	-	3,905	(27,158)	14,691	625
Cash and investments - ending	\$ 83,224	\$ 20,247	\$ (2,306)	\$ 33,342	\$ 1,915	\$ 21,391	\$ 5,268

CITY OF BRAZIL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	LAW ENFORCEMENT	TRAFFIC SAFETY	FIRE EDUCATION	FIREFIGHTERS SPECIAL	FIRE PREVENTION FUND	OIL REVENUE FUND	WHEEL TAX
Cash and investments - beginning	\$ 262	\$ (5,495)	\$ 160	\$ 40,555	\$ 1,027	\$ 44,552	\$ 81,724
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	94,308
Charges for services	-	-	-	10,910	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	20	14	1,125	37,773	-
Total receipts	-	-	20	10,924	1,125	37,773	94,308
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	1,000	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	51,303	100,000
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	20,000	-
Total disbursements	-	-	-	-	1,000	71,303	100,000
Excess (deficiency) of receipts over disbursements	-	-	20	10,924	125	(33,530)	(5,692)
Cash and investments - ending	\$ 262	\$ (5,495)	\$ 180	\$ 51,479	\$ 1,152	\$ 11,022	\$ 76,032

CITY OF BRAZIL
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2014
(Continued)

	2007 PW LOAN	2008 GO/SPEC DIST BONDS	SIDEWALK CONST BOND	SIDEWALK CONST II	DUE TO CITY SANITATION	PAYROLL FUND	HEALTH CLAIM FUND
Cash and investments - beginning	\$ (187,597)	\$ 91,861	\$ 1,219	\$ 13,998	\$ 37,731	\$ 120,787	\$ 904
Receipts:							
Taxes	-	180,067	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	14,544	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	187,597	-	-	-	6,425	3,485,138	-
Total receipts	187,597	194,611	-	-	6,425	3,485,138	-
Disbursements:							
Personal services	-	-	-	-	-	3,611,810	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	120,898	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	2,123	9,496	-
Total disbursements	-	120,898	-	-	2,123	3,621,306	-
Excess (deficiency) of receipts over disbursements	187,597	73,713	-	-	4,302	(136,168)	-
Cash and investments - ending	\$ -	\$ 165,574	\$ 1,219	\$ 13,998	\$ 42,033	\$ (15,381)	\$ 904

CITY OF BRAZIL
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2014
(Continued)

	Health Reimbursement	Sewer - Oper. & Maint.	Sewer - Depreciation	Sewer - Bond & Interest	Sewer - Debt Service Rsrv	Sewer - Construction	Pogues Run Grant
Cash and investments - beginning	\$ 37,862	\$ 725,030	\$ 183,414	\$ -	\$ 1,005,000	\$ 2,068,366	\$ (108,050)
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	6,262
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	2,981,207	-	-	-	-	-
Penalties	-	84,128	-	-	-	-	-
Other receipts	45,811	2,243	700,970	3,823,336	877	24,465	706,213
Total receipts	45,811	3,067,578	700,970	3,823,336	877	24,465	712,475
Disbursements:							
Personal services	-	516,580	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	41,638	-	-	-	44,347	-
Debt service - principal and interest	-	-	-	3,634,935	-	-	-
Capital outlay	-	27,571	236,107	-	-	956,122	837,470
Utility operating expenses	-	868,290	-	186,110	-	45,445	-
Other disbursements	54,936	1,767,043	-	-	344,877	11,355	416
Total disbursements	54,936	3,221,122	236,107	3,821,045	344,877	1,057,269	837,886
Excess (deficiency) of receipts over disbursements	(9,125)	(153,544)	464,863	2,291	(344,000)	(1,032,804)	(125,411)
Cash and investments - ending	\$ 28,737	\$ 571,486	\$ 648,277	\$ 2,291	\$ 661,000	\$ 1,035,562	\$ (233,461)

CITY OF BRAZIL
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2014
(Continued)

	Water - Oper. & Maint.	Water - Meter Deposits	Water - IMPROVEMENT	Water - Bond & Interest	Water - Debt Service Rsrv	Water - Construction	Totals
Cash and investments - beginning	\$ 1,065,133	\$ 281,419	\$ (509,937)	\$ 170,964	\$ 228,408	\$ 29,343	\$ 7,121,819
Receipts:							
Taxes	-	-	-	-	-	-	2,149,406
Licenses and permits	-	-	-	-	-	-	36,417
Intergovernmental	-	-	-	-	-	-	2,269,786
Charges for services	-	-	-	-	-	-	387,253
Fines and forfeits	-	-	-	-	-	-	12,041
Utility fees	2,099,547	65,435	-	-	-	-	5,146,189
Penalties	32,746	-	-	-	-	-	116,874
Other receipts	220,609	57	709,380	325,800	65,256	2,783	14,129,923
Total receipts	2,352,902	65,492	709,380	325,800	65,256	2,783	24,247,889
Disbursements:							
Personal services	603,211	-	-	-	-	-	8,214,073
Supplies	-	-	-	-	-	-	425,488
Other services and charges	34,492	-	-	-	-	-	2,976,230
Debt service - principal and interest	-	-	-	161,857	-	-	4,120,023
Capital outlay	208,445	-	189,124	-	-	2,765	2,827,712
Utility operating expenses	970,503	54,940	284	-	-	-	2,125,572
Other disbursements	1,334,929	-	-	-	-	-	3,737,617
Total disbursements	3,151,580	54,940	189,408	161,857	-	2,765	24,426,715
Excess (deficiency) of receipts over disbursements	(798,678)	10,552	519,972	163,943	65,256	18	(178,826)
Cash and investments - ending	\$ 266,455	\$ 291,971	\$ 10,035	\$ 334,907	\$ 293,664	\$ 29,361	\$ 6,942,993

CITY OF BRAZIL
SCHEDULE OF LEASES AND DEBT
December 31, 2014

Lessor	Purpose	Lease Beginning Date	Annual Lease Payment
Governmental activities:			
City of Brazil	Paving Lease Rental	1/15/2024	\$ 147,500
City of Brazil	Golf Cart Lease	7/15/2016	21,001
Total governmental activities			<u>168,501</u>
Total of annual lease payments			<u>\$ 168,501</u>

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
General obligation bonds	GO Bonds Series 2008		\$ 830,000	\$ 174,218
General obligation bonds	Special Taxing District Bonds Series 2002		60,000	72,790.00
General obligation bonds	Redevelopment Bonds of 2002 Series B		295,000	83,725.00
Notes and loans payable	RIDDELL NATIONAL BANK POLICE CARS		158,059	34,017.00
Notes and loans payable	RIDDELL NATIONAL BANK TRACTOR STREET		15,298	7,941.00
Notes and loans payable	RIDDELL NATIONAL BANK TAHOE FIRE		14,239	4,988.00
Notes and loans payable	RIDDELL NATIONAL BANK SILERADO STREET		14,702	6,278.00
Notes and loans payable	RIDDELL NATIONAL BANK TRASH TRUCK SANITATION		136,120	29,542.00
Total governmental activities			<u>1,523,418</u>	<u>413,499</u>
Wastewater:				
Revenue bonds	Sewage Works Revenue Bonds of 2013		4,010,000	120,684
Revenue bonds	Sewage Works Revenue Bonds of 2014		2,470,000	860,350
Notes and loans payable	Capital Lease - Guaranteed Energy Savings Performance Contract		1,162,700	92,212
Total Wastewater			<u>7,642,700</u>	<u>1,073,246</u>
Water:				
Revenue bonds	Waterworks Revenue Bonds of 2010 Series A		<u>4,239,000</u>	<u>325,304</u>
Totals			<u>\$ 13,405,118</u>	<u>\$ 1,812,049</u>

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 FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for the Major Federal Program

We have audited the City of Brazil's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2014. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

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

Report on Internal Control over Compliance


Management of the City 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 City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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 City's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2014-002 to be a material weakness.

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

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


Paul D. Joyce, CPA
State Examiner

July 6, 2016

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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

CITY OF BRAZIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>				
State Administered CDBG Cluster Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	Indiana Housing and Community Development	14.228	DR1HB-011-025	\$ 81,481
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster Highway Planning and Construction	Indiana Department of Transportation	20.205	DES 0800846	61,096
Highway Safety Cluster State and Community Highway Safety Operation Pull Over	Indiana Criminal Justice Institute	20.600	2548	3,905
Total - Department of Transportation				65,001
<u>Department of Homeland Security</u>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters) Arctic Blast	Indiana Department of Homeland Security	97.036	4173-DR-IN	9,105
Hazard Mitigation Grant Flood Buyout Phase 1 Flood Buyout Phase 2	Indiana Department of Homeland Security	97.039	C44P-4-511B C44P-4-512B	454,535 106,612
Total - Hazard Mitigation Grant				561,147
Total - Department of Homeland Security				570,252
Total federal awards expended				\$ 716,734

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

CITY OF BRAZIL
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

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

CITY OF BRAZIL
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?	yes
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:

CFDA Number	Name of Federal Program or Cluster
97.039	Hazard Mitigation Grant

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

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

**FINDING 2014-001 - INTERNAL CONTROLS AND COMPLIANCE
OVER FINANCIAL TRANSACTIONS AND REPORTING**

Several deficiencies were identified in the internal control system of the City related to financial transactions and reporting.

1. Lack of Segregation of Duties: The City had not separated incompatible activities related to receipts, disbursements, including payroll, and cash. The City had a control in place for receipts, however, the Clerk-Treasurer did not document that she reviewed the Daily Cash Collection Register to the deposit ticket which was completed by the Deputy Clerk-Treasurer.

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

One employee in the Clerk-Treasurer's Office solely processed the payroll transactions and prepared the bank reconcilements. There was no oversight, review, or approval process for the payroll transactions or the bank reconciliations. The failure to establish these controls would have enabled material misstatements or irregularities to remain undetected.

2. Monitoring of Controls: An evaluation of the City's system of internal control had not been conducted. The failure to monitor the internal control system would have placed the City at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would prevent, or detect and correct, material misstatements in a timely manner. Additionally, the City had no process to identify or communicate corrective actions to improve controls.
3. The financial information entered into the Annual Financial Report on Gateway was used to compile the financial statement. During the audit of the financial statement, it was identified that the receipts and disbursements were inaccurate for the payroll fund. Audit adjustments in the amounts of \$3,484,916 for receipts and \$3,484,915 for disbursements were recommended, accepted by the Officials, and made to the financial statement presented in this report.
4. Preparation of the Schedule of Expenditures of Federal Awards (SEFA): The City did not have a proper system of internal control in place to prevent or detect errors on the SEFA. The following errors were identified:
 - The Highway Planning and Construction grant and the Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii expenditures of \$61,096 and \$81,481, respectively, were not reported on the SEFA.
 - The Hazard Mitigation Grant expenditures were overstated by \$74,689.

Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report.

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)

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 fiscal 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."

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

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 section .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.
- (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."

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-002 - INTERNAL CONTROLS OVER HAZARD MITIGATION GRANT

Federal Agency: Department of Homeland Security

Federal Program: Hazard Mitigation Grant

CFDA Number: 97.039

Federal Award Numbers and Years (or Other Identifying Numbers): C44P-4-511B, C44P-4-512B

Pass-Through Entity: Indiana Department of Homeland Security

Management of the City had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the following compliance requirements: Cash Management, Matching, Period of Availability, and Reporting.

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

Reporting and Cash Management

The Request for Expenditures were prepared by the Grant Administrator and submitted to the grantor agencies via email. The Grant Administrator also submitted the Quarterly Performance Reports. There was no segregation of duties, such as an oversight, review, or approval process to ensure information was submitted and correctly reported. The City had no controls in place to minimize the time elapsing between the transfer of funds from the pass-through entity and the disbursement by the City.

Matching and Period of Availability

The City contracted with a third-party to administer the grants. The City had no controls in place to ensure allowable costs were incurred during the period authorized by the Federal awarding agency and to ensure the matching requirements were met.

The failure to establish an effective internal control system placed the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system would have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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

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

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

The failure to establish internal controls would have enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

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AUDITEE PREPARED DOCUMENTS

The subsequent documents were provided by management of the City. The documents are presented as intended by the City.



CITY OF BRAZIL

Karen McQueen, Clerk-Treasurer

203 East National Avenue
Brazil, Indiana 47834
Phone: (812) 448-8403
Fax: (812) 446-0337
www.brazil.in.gov

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2013-003 (B44826)

Fiscal year in which the finding initially occurred: 2013
Pass-Through Entity: Indiana Department of Natural Resources
Contact Person Responsible for Corrective Action: Karen McQueen
Contact Phone Number: 812-448-8403

Status of Audit Finding: Corrected – City Officials such as: Grant Administrator, City Attorney, Clerk-Treasurer, Planning and Zoning Administrator and Assistant Manager/Financial Representative of Water Office. Meet 1 time monthly to discuss all items pertinent to current city grants.

FINDING 2013-004 (B44826)

Fiscal year in which the finding initially occurred: 2013
Pass-Through Entity: Indiana Department of Natural Resources
Contact Person Responsible for Corrective Action: Karen McQueen
Contact Phone Number: 812-448-8403

Status of Audit Finding: Corrected - City Officials such as: Grant Administrator, City Attorney, Clerk-Treasurer, Planning and Zoning Administrator and Assistant Manager/Financial Representative of Water Office. Meet 1 time monthly to discuss all items pertinent to current city grants. We also keep binders in the various offices with all information pertaining to current grants.

FINDING 2013-005 (B44826)

Fiscal year in which the finding initially occurred: 2013
Pass-Through Entity: Indiana Department of Transportation
Contact Person Responsible for Corrective Action: Karen McQueen
Contact Phone Number: 812-448-8403

Status of Audit Finding: Corrected – The Clerk-Treasurer's Office and the Water Office keep binders with all financial information needed for all grants.

Karen McQueen
(Signature)

Clerk-Treasurer
(Title)

4-28-16
(Date)



CITY OF BRAZIL

Karen McQueen, Clerk-Treasurer

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CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Karen McQueen
Contact Phone Number: 812-448-8403

Views of Responsible Official:
I concur with the findings.

Description of Corrective Action Plan:

The City of Brazil continues to correct Internal Control errors. The City of Brazil has plans to host an Internal Controls training class here at City Hall in the 2016 year, in hopes of limiting Internal Control errors. The City of Brazil also continues to try and understand the Incode system and its financial reporting. The City is currently looking into other options in the reporting of the cities financials. Finally the City of Brazil will now keep a folder with all of the SEFA information that will be accessible for the annual reporting into Gateway and for State Board of Accounts upon annual audits.

FINDING 2014-002

Contact Person Responsible for Corrective Action: Karen McQueen
Pass-Through Entity: Department of Homeland Security
Contact Phone Number: 812-448-8403

Views of Responsible Official:
I concur with the findings.

Description of Corrective Action Plan:

The City of Brazil also continues to correct Internal Control errors with the grant noted above. The City of Brazil has plans to host an Internal Controls training class here at City Hall in the 2016 year, in hopes of limiting Internal Control errors. Also the City of Brazil conducts monthly meetings concerning all active grants with the Clerk-Treasurer, City Attorney, Utilities Financial Officer, Grant Administrator and the Planning and Zoning Administrator. Monthly meetings are intended to help inform, answer questions and catch or correct errors that may arise during grant process.

Anticipated Completion Date: December 31, 2016

Karen McQueen
(Signature)

Clerk - Treasurer
(Title)

6-27-16
(Date)

OTHER REPORTS

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