

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF BRAZIL

CLAY COUNTY, INDIANA

January 1, 2021 to December 31, 2022



FILED
11/27/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Karen McQueen	01-01-21 to 12-31-23
Mayor	Brian Wyndham	01-01-21 to 12-31-23
President of the Board of Public Works and Safety	Brian Wyndham	01-01-21 to 12-31-23
President Pro Tempore of the Common Council	Steve Bell Shane Litz	01-01-21 to 12-31-22 01-01-23 to 12-31-23
Utility Office Manager	Delores M. Elder	01-01-21 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to the audit report of the City of Brazil (City), for the period from January 1, 2021 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with the Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

November 8, 2023

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CLERK-TREASURER
CITY OF BRAZIL

CLERK-TREASURER
CITY OF BRAZIL
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT - FINANCIAL AND OTHER INFORMATION

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The City had not established effective internal controls over the AFR information entered into Gateway, which resulted in the following errors:

Capital Assets

Capital asset information entered into Gateway could not be verified due to a lack of supporting documentation. The City has chosen to omit the Schedule of Capital Assets from the Financial Statement Audit Report of the City.

Leases and Debt

The City omitted its Sewage Works Revenue Bonds of 2022 from its debt schedule. The ending principal balance of the bonds, as of December 31, 2022, was understated by \$3,945,000. In addition, all City lease obligations had \$1 reported as the annual lease payment in 2022.

Audit adjustments were proposed, accepted by the City, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the City.

Grant Schedule

- The City understated its Coronavirus State and Local Fiscal Recovery Funds (SLFRF) federal expenditures in 2022 by \$598,433. Additionally, federal and non-federal funds were comingled within the City's SLFRF grant fund.
- Other immaterial errors in the grant schedule were also noted.

Since the City did not expend the requisite amount of federal dollars during any year of the audit period, a Schedule of Expenditures of Federal Awards was not required to be reported.

Financial Data

The AFR contained several errors.

In 2021, nine Redevelopment Authority funds were omitted from the AFR, and, therefore, understatements for 2021 were:

- Beginning cash and investments balance was understated by \$938,990.
- Receipts were understated by \$855,611.
- Disbursements were understated by \$1,454,693.
- Ending cash and investments balance was understated by \$339,908.

CLERK-TREASURER
CITY OF BRAZIL
AUDIT RESULTS AND COMMENTS
(Continued)

In 2021, the Water - Meter Deposits beginning cash and investments balances and ending cash and investments balances were both overstated by \$175.

In 2022, five Redevelopment Authority funds were omitted from the AFR, and, therefore, understatements for 2022 were:

- Beginning cash and investments balance was understated by \$78,393.
- Receipts were understated by \$724,366.
- Disbursements were understated by \$710,961.
- Ending cash and investments balance was understated by \$91,798.

Adjustments were proposed, accepted by the City, and made to the financial statement and the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Required Supplementary Information in the Financial Statement Audit Report of the City.

Criteria

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

"The state examiner shall require from every audited entity 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](#)."

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

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

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

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

CLERK-TREASURER
CITY OF BRAZIL
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The City did not properly maintained a complete detailed listing of capital assets owned. In addition, the City did not complete a biannual physical inventory of capital assets as required by its policy.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
CITY OF BRAZIL
EXIT CONFERENCE

The contents of this report were discussed on November 8, 2023, with Karen McQueen, Clerk-Treasurer; Brian Wyndham, Mayor; Shane Litz, President Pro Tempore of the Common Council; and Traci M. Orman, City Attorney.