

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT

OF

CITY OF BRAZIL

CLAY COUNTY, INDIANA

January 1, 2005 to December 31, 2005



FILED
10/31/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tracy L. Webster	08-31-04 to 12-31-07
Mayor	Thomas L. Arthur	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Thomas L. Arthur	01-01-05 to 12-31-06
President of the Common Council	Anthea A. Bradshaw	01-01-05 to 12-31-06
Superintendent of Water Utility	John A. Ray Richard E. Vanatti	01-01-05 to 07-21-05 07-22-05 to 12-31-06
Co-Superintendents of Wastewater Utility	Jerry D. Robison Terry L. Robison	01-01-05 to 12-31-06 01-01-05 to 12-31-06
Utility Office Manager	Denise R. McGranahan Sheryl J. Hill	01-01-05 to 01-06-05 01-07-05 to 12-31-06



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

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

INDEPENDENT ACCOUNTANT'S REPORT

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

We were engaged to examine the financial statements of the City of Brazil (City) for the period of January 1, 2005 to December 31, 2005. The City's management is responsible for the financial statements. Our responsibility is to express an opinion based on our examination.

Financial records presented for examination were incomplete and not reflective of the activity of the City or Utility funds. The records presented did not provide sufficient information to examine receipts, disbursements, and ending balances, or the accuracy or correctness of the transactions.

No financial statements are reflected in this report because records were not in the proper condition or not available to examine. However, we did examine available records to the extent possible for compliance with the State statutes and with the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns published by the State Board of Accounts. The results of this examination are stated in the Examination Results and Comments.

STATE BOARD OF ACCOUNTS

October 2, 2006

CITY OF BRAZIL
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS (Applies to City and Utilities)

Based on the following conditions, the records presented did not provide sufficient information to examine receipts, disbursements, and ending balances, or the accuracy or correctness of the transactions:

- (1) Depository reconciliations of the fund balances to the bank account balances were incorrect as of December 31, 2005, for the Payroll Account and Utilities Pooled Cash Account.
- (2) Depository reconciliations of the fund balances to the bank account balances were not prepared or presented for audit as of December 31, 2005, for the following bank accounts: City's Pooled Cash Account, Golf Account, Law Enforcement Fund Account, Fire Equipment Fund Account, Mendenhall Memorial Trust Account, Rainy Day Fund Account, North Central Economic Development Area 2002 Account, Police Pension Fund Account, and Fire Pension Fund Account.
- (3) The following errors were noted while testing for proper posting of 2005 local tax distributions:
 - a. As in 2004, the county excise tax distributions for the General Obligation Bond Fund and the Redevelopment Bond Fund were erroneously posted to the General Fund.
 - b. The financial institutions tax distributions for the General Obligation Bond Fund and the Redevelopment Bond Fund were erroneously posted to the Sidewalk Construction Bond I Fund and the Sidewalk Construction Bond II Fund, respectively.
 - c. The commercial vehicle excise tax distributions were not always posted to the proper funds.
- (4) A \$96,000 certificate of deposit purchased by the Fire Pension Board in 2004 remained unposted to the Fire Pension Fund as of December 31, 2005.

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

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF BRAZIL
EXAMINATION RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS (Applies to City)

The records presented for audit indicated the following expenditures in excess of budgeted appropriations in 2005:

<u>Fund</u>	<u>Excess Amount Expended</u>
Park and Recreation	\$ 4,866
Cemetery	5,284
Obligation Loan	3,273
Sanitation	31,329

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."

CAPITAL ASSET RECORDS (Applies to Utilities)

The Utilities do not maintain sufficient detailed records of capital assets for Utility Plant in Service accounts. Upon purchase, the costs of the capital assets are added to an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for some of the Utilities' capital assets are not available, and records classifying and summarizing the Utilities' capital assets are incomplete.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ERRORS ON CLAIMS (Applies to City and Utilities)

Claims or invoices were not always accompanied by evidence supporting the receipt of goods or services.

Indiana Code 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;

CITY OF BRAZIL
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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."

OFFICIAL BONDS (Applies to City)

The following official bonds were not filed in the office of the County Recorder: Police Pension Secretary for 2005 and 2006, Deferral Program Administrator for 2006, and employee dishonesty bonds for 2005 and 2006.

In addition, the official bonds for the Clerk-Treasurer and Deferral Program Administrator were bound to the City of Brazil, not the State of Indiana.

Indiana Code 5-4-1.5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

Indiana Code 36-8-6-3(e) states in part: "The secretary shall, in a manner prescribed by IC 5-4-1, execute a bond conditioned upon the faithful discharge of his duties."

Indiana Code 5-4-1-10 states in part: "All official bonds shall be payable to the state of Indiana, and every such bond shall be obligatory to such state, upon the principal and sureties, . . ."

ORDINANCES AND RESOLUTIONS (Applies to City and Utilities)

As noted in prior audit reports, the most current being B26092, Ordinance 8-1993 and 9-1996 established the usage charges for the Water and Wastewater Utilities. The City is not being billed for Water and Wastewater usage for all locations.

While meters are read for City Hall and the City golf course usage, no bill is prepared computing the amount due based on the readings. For several other city locations, such as the city swimming pool, water treatment plant, and wastewater treatment plant, meters are not present to track usage.

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)

PRESCRIBED FORMS (Applies to City and Utilities)

The following prescribed or approved forms were not always in use, Register of Investments (General Form 350) and Ledger of Appropriations, Encumbrances, Disbursements and Balances (City and Town Form 209).

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

CITY OF BRAZIL
EXIT CONFERENCE

The contents of this report were discussed on October 2, 2006 with Thomas L. Arthur, Mayor; Tracy L. Webster, Clerk-Treasurer; and Sheryl J. Hill, Utility Office Manager. The officials concurred with our findings.