

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

EXAMINATION REPORT
OF
CITY OF BICKNELL
KNOX COUNTY, INDIANA
January 1, 2006 to December 31, 2006



FILED
09/27/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Brenda Flickinger	01-01-04 to 12-31-07
City Judge	Jon M. McKinnon	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Tom Trowbridge	01-01-04 to 12-31-07
President of the Common Council	Lydia Lawhead-Duncan Steve Volling	01-01-06 to 12-31-06 01-01-07 to 12-31-07
Mayor	Tom Trowbridge	01-01-04 to 12-31-07
Superintendent of Water Utility	Earl Horst	01-01-06 to 12-31-07
Superintendent of Wastewater Utility	James Hubbard	01-01-06 to 12-31-07
Utility Office Manager	Rebecca L. McGlone	01-01-06 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF BICKNELL, KNOX COUNTY, INDIANA

We have examined the financial information presented herein of the City of Bicknell (City), for the period of January 1, 2006 to December 31, 2006. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

August 16, 2007

CITY OF BICKNELL
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 401,120	\$ 465,675	\$ 848,108	\$ 18,687
Motor Vehicle Highway	32,480	123,595	136,442	19,633
Local Road and Street	103,332	17,281	32,642	87,971
Park and Recreation	20,953	15,222	33,697	2,478
Law Enforcement Continuing Education	5,563	9,092	13,765	890
Riverboat	63,962	21,257	45,275	39,944
Rainy Day	30,335	-	-	30,335
Sanitation	(53,456)	60,893	85,988	(78,551)
Sanitation TIP	15,293	55,327	57,738	12,882
General Industries Health Clinic	19,877	2,350	719	21,508
Community Watch	200	-	-	200
Good Start Project	88	-	88	-
Judicial Court	595	2,088	2,643	40
EDIT	96,096	63,899	57,540	102,455
Park Donation Skating Rink	8,742	650	-	9,392
Park Donation Westfall	1,473	10,325	2,647	9,151
Park Donation Hoover	8,669	607	931	8,345
Demolition Donation	257	-	-	257
Police Trust	5,894	175	-	6,069
Fire Donation Trabant Fund	6,077	2,700	-	8,777
Equipment Debt	1,120	-	-	1,120
Police Dog Donations	264	-	-	264
Cumulative Capital Improvement	63,465	18,167	9,278	72,354
Proprietary Funds:				
Water Utility - Operating	15,829	451,149	444,652	22,326
Water Utility - Bond and Interest	135,885	112,509	111,725	136,669
Water Utility - Depreciation	6,114	9,583	12,192	3,505
Water Utility - Customer Deposit	29,021	8,797	7,919	29,899
Wastewater Utility - Operating	130,191	910,422	927,361	113,252
Wastewater Utility - Depreciation	298,977	730,893	566,198	463,672
Wastewater Utility - Customer Deposit	22,645	11,387	7,338	26,694
Fiduciary Funds:				
Police Officers' Pension	26,827	25,050	44,297	7,580
City Court	6,658	76,919	77,091	6,486
Payroll	3,357	964,761	966,282	1,836
Totals	<u>\$ 1,507,903</u>	<u>\$ 4,170,773</u>	<u>\$ 4,492,556</u>	<u>\$ 1,186,120</u>

The accompanying notes are an integral part of the financial information.

CITY OF BICKNELL
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, water and wastewater, and general administrative services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes 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.

CITY OF BICKNELL
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officer's and Firefighters' Pension and Disability Fund

Plan Description

The primary government contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, 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 (IC36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. 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 and Annual Pension Cost

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the primary government is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the primary government are established by the Board of Trustee of PERF.

Note 7. Long-Term Debt

The City has entered into various debts such as water revenue bonds for water plant improvements, a loan for a fire station, tax anticipation warrants, and wastewater revenue bonds for wastewater plant construction. The outstanding principal at December 31, 2006, was \$1,068,000, \$12,841, \$150,000, and \$4,250,000, respectively.

Note 8. Wastewater Treatment Plant Construction Project

The Bicknell Wastewater Utility has entered into a major construction project for a new wastewater treatment plant. The project is being financed through the Indiana State Revolving Loan Fund Program, in the amount of \$4,250,000.

CITY OF BICKNELL
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

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

Fund	Years	Excess Amount Expended
Motor Vehicle Highway	2006	\$ 8,557
Sanitation	2006	11,592
Riverboat	2006	23,975
Law Enforcement Continuing Education	2006	3,765

A similar comment appeared in prior reports, the most recent being Report B27252.

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."

DEPOSITS OF FUNDS (Applies to City Court)

Deposits were not made intact. Testing of deposits reflected money orders deposited in an amount different than the receipt. Documentation was not found reflecting the issuance of a check for any overpayments. Deposits were made for the exact amount of the receipts.

All funds collected by a city or town court shall be deposited not later than the business day following the receipt of funds in depositories selected by the city or town as provided in an ordinance adopted by the city or town and approved as depositories of state funds. All funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

BANK ACCOUNT RECONCILIATIONS (Applies to City Court)

Incorrect depository reconciliations of the fund balances to the bank account balances were presented for examination.

A similar comment appeared in prior reports, the most recent being Report B27252.

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."

CITY OF BICKNELL
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS (Applies to City Court)

Financial records presented for audit were incomplete and not reflective of the activity of the City Court Fund. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

A similar comment appeared in prior reports, the most recent being Report B27252.

Each city and town court is required to use official records and forms that are designated by the legislature or prescribed or approved by the State Board of Accounts or State Court Administrator office of the Supreme Court. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)

OVERDRAWN CASH BALANCES

The cash balance of the Sanitation Fund was overdrawn in 2006.

A similar comment appeared in prior reports, the most recent being Report B27252.

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)

INVESTMENT MATURITY LIMITATIONS (Applies to Water Utility)

The governmental unit purchased certain investments which have a stated maturity in excess of two years.

A similar comment appeared in prior reports, the most recent being Report B27252.

Indiana Code 5-13-9-5.6 states: "Investments made under IC 5-13-9 must have a stated final maturity of not more than two years after the date of purchase or entry into a repurchase agreement."

CITY OF BICKNELL
EXIT CONFERENCE

The contents of this report were discussed on August 16, 2007, with Earl Host, Water Superintendent; Rebecca L. McGlone, Utility Office Manager; Tom Trowbridge, Mayor; and Brenda Flickinger, Clerk-Treasurer. The officials concurred with our findings.