

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

ANNUAL FINANCIAL REPORT

2008

CITY OF BICKNELL

KNOX COUNTY, INDIANA



FILED
12/07/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rita Dupire	01-01-08 to 12-31-11
Mayor	Jon G. Flickinger	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Jon G. Flickinger	01-01-08 to 12-31-11
President of the Common Council	Greg Bourlard	01-01-08 to 12-31-09
Superintendent of Water Utility	Earl E. Horst	01-01-08 to 12-31-09
Superintendent of Wastewater Utility	James Hubbard Matt D. Brough	01-01-08 to 08-31-08 09-01-08 to 12-31-09
Utility Office Manager	Rebecca L. McGlone	01-01-08 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bicknell (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2008, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated October 15, 2009, 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 audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

October 15, 2009



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bicknell (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management in a separate letter dated September 24, 2009.

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

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

STATE BOARD OF ACCOUNTS

October 15, 2009

CITY OF BICKNELL
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2008

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 731,089	\$ 14,176	\$ 213,583	\$ 10,985	\$ (492,345)	\$ -	\$ (492,345)
Public safety	390,605	15,287	-	-	(375,318)	-	(375,318)
Highways and streets	151,119	-	-	-	(151,119)	-	(151,119)
Sanitation	183,769	65,348	-	-	(118,421)	-	(118,421)
Health and welfare	100	-	-	-	(100)	-	(100)
Culture and recreation	46,529	975	14,279	-	(31,275)	-	(31,275)
Total governmental activities	<u>1,503,211</u>	<u>95,786</u>	<u>227,862</u>	<u>10,985</u>	<u>(1,168,578)</u>	<u>-</u>	<u>(1,168,578)</u>
Business-type activities:							
Water	667,264	733,651	-	65,370	-	131,757	131,757
Wastewater	1,448,377	1,172,366	-	25,000	-	(251,011)	(251,011)
Total business-type activities	<u>2,115,641</u>	<u>1,906,017</u>	<u>-</u>	<u>90,370</u>	<u>-</u>	<u>(119,254)</u>	<u>(119,254)</u>
Total primary government	<u>\$ 3,618,852</u>	<u>\$ 2,001,803</u>	<u>\$ 227,862</u>	<u>\$ 101,355</u>	<u>(1,168,578)</u>	<u>(119,254)</u>	<u>(1,287,832)</u>
General receipts:							
Property taxes					451,807	-	451,807
Other local sources					304,784	54,714	359,498
Grants and contributions not restricted to specific programs					109,751	-	109,751
Unrestricted investment earnings					4,353	5,407	9,760
Total general receipts					<u>870,695</u>	<u>60,121</u>	<u>930,816</u>
Change in net assets					(297,883)	(59,133)	(357,016)
Net assets - beginning					929,024	755,083	1,684,107
Net assets - ending					<u>\$ 631,141</u>	<u>\$ 695,950</u>	<u>\$ 1,327,091</u>
<u>Assets</u>							
Cash and investments					\$ -	\$ 154,735	\$ 154,735
Restricted assets:							
Cash and investments					631,141	541,215	1,172,356
Total assets					<u>\$ 631,141</u>	<u>\$ 695,950</u>	<u>\$ 1,327,091</u>
<u>Net Assets</u>							
Restricted for:							
General government					\$ 319,208	\$ -	\$ 319,208
Public safety					36,589	-	36,589
Highways and streets					62,071	-	62,071
Sanitation					129,867	-	129,867
Health and welfare					29,954	-	29,954
Culture and recreation					119,413	-	119,413
Debt service					-	235,434	235,434
Capital outlay					54,933	-	54,933
Other purposes					-	305,781	305,781
Unrestricted					(120,894)	154,735	33,841
Total net assets					<u>\$ 631,141</u>	<u>\$ 695,950</u>	<u>\$ 1,327,091</u>

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

CITY OF BICKNELL
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008

	General	Sanitation	Rainy Day	CEDIT	Motor Vehicle Highway	Local Road and Street	Other Governmental Funds	Totals
Receipts:								
Taxes	\$ 316,069	\$ 79,565	\$ 80,655	\$ 92,578	\$ -	\$ -	\$ 53,741	\$ 622,608
Licenses and permits	60	-	-	-	-	-	-	60
Intergovernmental	121,005	-	-	-	90,738	15,941	15,384	243,068
Charges for services	-	-	-	-	-	-	86,860	86,860
Fines and forfeits	8,866	-	-	-	-	-	-	8,866
Other	156,933	3,072	-	-	-	-	83,861	243,866
Total receipts	602,933	82,637	80,655	92,578	90,738	15,941	239,846	1,205,328
Disbursements:								
General government	436,079	-	77,784	71,113	-	-	146,113	731,089
Public safety	371,559	-	-	-	-	-	19,046	390,605
Highways and streets	-	-	-	-	127,606	7,137	-	134,743
Sanitation	-	122,829	-	-	-	-	60,940	183,769
Health and welfare	-	-	-	-	-	-	100	100
Culture and recreation	-	-	-	-	-	-	46,529	46,529
Capital outlay:								
Highways and streets	-	-	-	-	-	-	16,376	16,376
Total disbursements	807,638	122,829	77,784	71,113	127,606	7,137	289,104	1,503,211
Excess (deficiency) of receipts over disbursements	(204,705)	(40,192)	2,871	21,465	(36,868)	8,804	(49,258)	(297,883)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(204,705)	(40,192)	2,871	21,465	(36,868)	8,804	(49,258)	(297,883)
Cash and investment fund balance - beginning	69,028	153,978	171,062	123,810	29,014	61,121	321,011	929,024
Cash and investment fund balance - ending	\$ (135,677)	\$ 113,786	\$ 173,933	\$ 145,275	\$ (7,854)	\$ 69,925	\$ 271,753	\$ 631,141
Cash and Investment Assets - December 31								
Cash and investments	\$ (135,677)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (135,677)
Restricted assets:								
Cash and investments	-	113,786	173,933	145,275	(7,854)	69,925	271,753	766,818
Total cash and investment assets - December 31	\$ (135,677)	\$ 113,786	\$ 173,933	\$ 145,275	\$ (7,854)	\$ 69,925	\$ 271,753	\$ 631,141
Cash and Investment Fund Balance - December 31								
Restricted for:								
General government	\$ -	\$ -	\$ 173,933	\$ 145,275	\$ -	\$ -	\$ -	\$ 319,208
Public safety	-	-	-	-	-	-	36,589	36,589
Highways and streets	-	-	-	-	(7,854)	69,925	-	62,071
Health and welfare	-	-	-	-	-	-	29,954	29,954
Sanitation	-	113,786	-	-	-	-	16,081	129,867
Culture and recreation	-	-	-	-	-	-	119,413	119,413
Capital outlay	-	-	-	-	-	-	54,933	54,933
Unrestricted	(135,677)	-	-	-	-	-	14,783	(120,894)
Total cash and investment fund balance - December 31	\$ (135,677)	\$ 113,786	\$ 173,933	\$ 145,275	\$ (7,854)	\$ 69,925	\$ 271,753	\$ 631,141

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

CITY OF BICKNELL
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For The Year Ended December 31, 2008

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Unmetered water receipts	\$ 414	\$ -	\$ 414
Metered water receipts:			
Residential	465,218	-	465,218
Penalties	15,589	21,439	37,028
Other water receipts	41,447	-	41,447
Measured revenue:			
Residential	-	720,470	720,470
Other	-	11,342	11,342
	<u>522,668</u>	<u>753,251</u>	<u>1,275,919</u>
Total operating receipts			
Operating disbursements:			
Equipment and capital improvements	45,507	545,077	590,584
Water - operations and maintenance	15,528	-	15,528
Treatment and disposal disbursements - operations and maintenance	-	71,408	71,408
Customer accounts	18,181	13,758	31,939
Sales tax disbursements	36,721	-	36,721
Employee Salaries and wages	97,929	79,324	177,253
Employee pensions and benefits	7,492	8,962	16,454
Purchased power	24,985	54,449	79,434
Material and supplies	68,657	29,846	98,503
Contractual services	1,000	53	1,053
Transportation disbursements	8,508	5,193	13,701
Insurance disbursements	9,808	9,045	18,853
Miscellaneous disbursements	10,240	15,062	25,302
	<u>344,556</u>	<u>832,177</u>	<u>1,176,733</u>
Total operating disbursements			
Operating income (loss)	<u>178,112</u>	<u>(78,926)</u>	<u>99,186</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	1,036	4,371	5,407
Miscellaneous receipts	37,275	17,439	54,714
Debt service of principal	(63,000)	(165,040)	(228,040)
Interest and investment disbursement	(48,725)	(32,045)	(80,770)
	<u>(73,414)</u>	<u>(175,275)</u>	<u>(248,689)</u>
Total nonoperating disbursements			
Income (loss) before contributions and transfers	104,698	(254,201)	(149,503)
Capital contributions	<u>65,370</u>	<u>25,000</u>	<u>90,370</u>
Excess (deficiency) of receipts and contributions over disbursements	170,068	(229,201)	(59,133)
Cash basis fund balance - beginning	<u>198,199</u>	<u>556,884</u>	<u>755,083</u>
Cash basis fund balance - ending	<u>\$ 368,267</u>	<u>\$ 327,683</u>	<u>\$ 695,950</u>
<u>Cash Basis Assets - December 31</u>			
Cash and cash equivalents	\$ 48,751	\$ 105,984	\$ 154,735
Restricted assets:			
Cash and cash equivalents	<u>319,516</u>	<u>221,699</u>	<u>541,215</u>
Total cash basis assets - December 31	<u>\$ 368,267</u>	<u>\$ 327,683</u>	<u>\$ 695,950</u>
<u>Cash Basis Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 235,434	\$ -	\$ 235,434
Other purposes	84,082	221,699	305,781
Unrestricted	<u>48,751</u>	<u>105,984</u>	<u>154,735</u>
Total cash basis fund balance - December 31	<u>\$ 368,267</u>	<u>\$ 327,683</u>	<u>\$ 695,950</u>

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

CITY OF BICKNELL
STATEMENT OF CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2008

	<u>Agency Funds</u>
Cash and investment fund balance	<u>\$ 31,283</u>

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

CITY OF BICKNELL
NOTES TO FINANCIAL STATEMENTS

I. 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 the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water and wastewater, and urban redevelopment and housing.

The City's financial reporting entity is composed of the following:

Primary Government: City of Bicknell

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Related Organizations

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City appoints the board members of the SIDC, Knox County Public Library, Knox County Area Plan Commission.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The sanitation fund accounts for the City provided sanitation services. This includes trash pick-up and street cleaning. Revenues from trash fees are also accounted for in this fund.

CITY OF BICKNELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

The rainy day fund is used to account for funds in accordance with Indiana Code 36-1-8-5 and a locally adopted ordinance.

The county economic development income tax (CEDIT) fund accounts for all EDIT taxes received from the county. The funds are used by the City for economic development within the City limits.

The motor vehicle highway fund accounts for state and local monies collected for highway and street construction and improvements.

The local road and street fund accounts for state monies distributed to the City for highway and street improvements.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

Additionally, the City reports the following fund type:

Agency funds account for assets held by the City as an agent for the City Court and employee withholdings.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment 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. Investment transactions are not presented on the financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the water and wastewater and various other functions of the government. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

CITY OF BICKNELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The City does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and in 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.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

CITY OF BICKNELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

- 1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
- 2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
- 3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

CITY OF BICKNELL
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets– Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2008, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2008
Rainy Day	\$ 67,784
Riverboat	61,134
Motor Vehicle Highway	33,341
Total	\$ 162,259

These disbursements were funded by greater than anticipated receipts from property taxes.

CITY OF BICKNELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Cash and Investment Balance Deficits

At December 31, 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

<u>Fund</u>	<u>2008</u>
General	\$ 135,677
Motor Vehicle Highway	7,854

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the City to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or

CITY OF BICKNELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the City's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

IV. Other Information

A. Risk Management

The City is 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Job Related Illness or Injury to Employees

During 1994, the City joined with other governmental entities in the Indiana Public Employees Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for 350 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of job related illness or injury to employees. The City pays an annual premium to the risk pool for its job related illness or injury to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Subsequent Events

The City was awarded a Housing and Urban Development grant through the Indiana Housing Authority for neighborhood improvements in the Crossroads section of the City. The total award was \$1,300,000 and was awarded on June 25, 2009. The City will pass through funds to PACE community action agency and they will administer the grant.

C. Rate Structure – Enterprise Funds

Water Utility

On April 5, 1993, the City Council adopted Ordinance 2-1993 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on May 12, 2008.

CITY OF BICKNELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Wastewater Utility

The current rate structure was approved by the City Council on December 15, 2004.

D. Pension Plan

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City 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 (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 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 Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City 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 City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2008 and 2007, were \$35,200, and \$35,610, respectively, equal to the required contributions for each year.

E. State Revolving Loan Fund

Under the terms of the State Revolving Loan Fund, revenue bonds have been purchased by the Indiana Bond Bank, the proceeds of which are set aside to finance the construction of Wastewater Utility improvements. Funds are loaned to the City until costs are accrued to the maximum allowed. The Wastewater improvement loans established a maximum draw of \$4,250,000. As of December 31, 2008, the loan principal balance was \$4,084,960. Annual debt service requirements for the loans will not be determined until planned construction projects are completed.

CITY OF BICKNELL
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008

	Park and Recreation	Law Enforcement Continuing Education	Riverboat	Cumulative Capital Improvement	General Industries Health Clinic	Trabant Fund Fire
Receipts:						
Taxes	\$ 32,551	\$ -	\$ 21,190	\$ -	\$ -	\$ -
Intergovernmental	4,399	-	-	10,985	-	-
Charges for services	-	14,317	-	-	5,250	-
Other	768	-	-	-	-	28,200
Total receipts	<u>37,718</u>	<u>14,317</u>	<u>21,190</u>	<u>10,985</u>	<u>5,250</u>	<u>28,200</u>
Disbursements:						
General government	-	-	82,435	-	-	-
Public safety	-	5,689	-	-	-	13,357
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	100	-
Culture and recreation	37,960	-	-	-	-	-
Capital outlay:						
Highways and streets	-	-	-	16,376	-	-
Total disbursements	<u>37,960</u>	<u>5,689</u>	<u>82,435</u>	<u>16,376</u>	<u>100</u>	<u>13,357</u>
Excess (deficiency) of receipts over disbursements	<u>(242)</u>	<u>8,628</u>	<u>(61,245)</u>	<u>(5,391)</u>	<u>5,150</u>	<u>14,843</u>
Cash and investment fund balance - beginning	<u>81,827</u>	<u>4,619</u>	<u>61,245</u>	<u>60,324</u>	<u>24,804</u>	<u>15,031</u>
Cash and investment fund balance - ending	<u>\$ 81,585</u>	<u>\$ 13,247</u>	<u>\$ -</u>	<u>\$ 54,933</u>	<u>\$ 29,954</u>	<u>\$ 29,874</u>
<u>Cash and Investment Assets - December 31</u>						
Restricted assets:						
Cash and investments	\$ 81,585	\$ 13,247	\$ -	\$ 54,933	\$ 29,954	\$ 29,874
Total cash and investment assets - December 31	<u>\$ 81,585</u>	<u>\$ 13,247</u>	<u>\$ -</u>	<u>\$ 54,933</u>	<u>\$ 29,954</u>	<u>\$ 29,874</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,874
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	29,954	-
Culture and recreation	81,585	-	-	-	-	-
Capital outlay	-	-	-	54,933	-	-
Other purposes	-	13,247	-	-	-	-
Total cash and investment fund balance - December 31	<u>\$ 81,585</u>	<u>\$ 13,247</u>	<u>\$ -</u>	<u>\$ 54,933</u>	<u>\$ 29,954</u>	<u>\$ 29,874</u>

CITY OF BICKNELL
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Judicial Court	General Unrestricted	Park Donation Skating Rink	Park Donation Westfall	Sanitation Tip	Park Donation Hoover
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	970	-	975	-	65,348	-
Other	-	44,600	-	9,880	-	173
Total receipts	970	44,600	975	9,880	65,348	173
Disbursements:						
General government	1,807	44,600	-	-	-	-
Public safety	-	-	-	-	-	-
Sanitation	-	-	-	-	60,940	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	2,749	5,820	-	-
Capital outlay:						
Highways and streets	-	-	-	-	-	-
Total disbursements	1,807	44,600	2,749	5,820	60,940	-
Excess (deficiency) of receipts over disbursements	(837)	-	(1,774)	4,060	4,408	173
Cash and investment fund balance - beginning	1,253	-	10,935	17,992	11,673	6,442
Cash and investment fund balance - ending	<u>\$ 416</u>	<u>\$ -</u>	<u>\$ 9,161</u>	<u>\$ 22,052</u>	<u>\$ 16,081</u>	<u>\$ 6,615</u>
<u>Cash and Investment Assets - December 31</u>						
Restricted assets:						
Cash and investments	\$ 416	\$ -	\$ 9,161	\$ 22,052	\$ 16,081	\$ 6,615
Total cash and investment assets - December 31	\$ 416	\$ -	\$ 9,161	\$ 22,052	\$ 16,081	\$ 6,615
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sanitation	-	-	-	-	16,081	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	9,161	22,052	-	6,615
Capital outlay	-	-	-	-	-	-
Other purposes	416	-	-	-	-	-
Total cash and investment fund balance - December 31	\$ 416	\$ -	\$ 9,161	\$ 22,052	\$ 16,081	\$ 6,615

CITY OF BICKNELL
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Excess Levy	Community Watch	Equipment Debt	Police Trust Fund	Totals
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 53,741
Intergovernmental	-	-	-	-	15,384
Charges for services	-	-	-	-	86,860
Other	-	-	-	240	83,861
	<u>-</u>	<u>-</u>	<u>-</u>	<u>240</u>	<u>83,861</u>
Total receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>240</u>	<u>239,846</u>
Disbursements:					
General government	17,271	-	-	-	146,113
Public safety	-	-	-	-	19,046
Sanitation	-	-	-	-	60,940
Health and welfare	-	-	-	-	100
Culture and recreation	-	-	-	-	46,529
Capital outlay:	-	-	-	-	-
Highways and streets	-	-	-	-	16,376
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,376</u>
Total disbursements	<u>17,271</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>289,104</u>
Excess (deficiency) of receipts over disbursements	<u>(17,271)</u>	<u>-</u>	<u>-</u>	<u>240</u>	<u>(49,258)</u>
Cash and investment fund balance - beginning	<u>17,271</u>	<u>175</u>	<u>1,120</u>	<u>6,300</u>	<u>321,011</u>
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 175</u>	<u>\$ 1,120</u>	<u>\$ 6,540</u>	<u>\$ 271,753</u>
<u>Cash and Investment Assets - December 31</u>					
Restricted assets:					
Cash and investments	<u>\$ -</u>	<u>\$ 175</u>	<u>\$ 1,120</u>	<u>\$ 6,540</u>	<u>\$ 271,753</u>
Total cash and investment assets - December 31	<u>\$ -</u>	<u>\$ 175</u>	<u>\$ 1,120</u>	<u>\$ 6,540</u>	<u>\$ 271,753</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Public safety	\$ -	\$ 175	\$ -	\$ 6,540	\$ 36,589
Sanitation	-	-	-	-	16,081
Health and welfare	-	-	-	-	29,954
Culture and recreation	-	-	-	-	119,413
Capital outlay	-	-	-	-	54,933
Other purposes	-	-	1,120	-	14,783
	<u>-</u>	<u>-</u>	<u>1,120</u>	<u>-</u>	<u>14,783</u>
Total cash and investment fund balance - December 31	<u>\$ -</u>	<u>\$ 175</u>	<u>\$ 1,120</u>	<u>\$ 6,540</u>	<u>\$ 271,753</u>

CITY OF BICKNELL
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2008

	Police Pension (PERF 77 Fund)	Payroll	City Court	Totals
Additions:				
Agency fund additions	\$ 36,219	\$ 1,028,563	\$ 35,513	\$ 1,100,295
Deductions:				
Agency fund deductions	45,357	1,028,693	28,760	1,102,810
Excess (deficiency) of total additions over total deductions	(9,138)	(130)	6,753	(2,515)
Cash and investment fund balance - beginning	29,985	3,677	136	33,798
Cash and investment fund balance - ending	<u>\$ 20,847</u>	<u>\$ 3,547</u>	<u>\$ 6,889</u>	<u>\$ 31,283</u>



City of Bicknell, Indiana

Mayor Jon G. Flickinger
119 E. 2nd Street - PO Box 127
Bicknell, In 47512

Phone: 812-735-3559 Fax: 812-735-3316

CITY OF BICKNELL SUPPLEMENTARY INFORMATION SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2008

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 501,028
Buildings	1,981,619
Improvements other than buildings	317,846
Machinery and equipment	<u>1,055,216</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 3,855,709</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 6,750
Buildings	231,656
Improvements other than buildings	3,776,193
Machinery and equipment	<u>219,840</u>
Total Water Utility capital assets	<u>4,234,439</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	44,063
Construction in progress	5,781,692
Buildings	1,350
Improvements other than buildings	663,647
Machinery and equipment	<u>185,304</u>
Total Wastewater Utility capital assets	<u>6,676,056</u>
Total business-type activities capital assets	<u>\$ 10,910,495</u>

Enjoy Bicknell - We Have Since 1869



City of Bicknell, Indiana

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CITY OF BICKNELL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal Due Within One Year
Governmental Activities:		
Capital leases:		
2008 Police Cars (3)	\$ 60,529	\$ 2,244
Total governmental activities debt	\$ 60,529	\$ 2,244
Business-type Activities:		
Water Utility		
Revenue bonds:		
1979 water revenue bonds for improvements	943,000	66,000
Total Water Utility	943,000	66,000
Wastewater Utility		
Loan Payable:		
2006 SRF loan for wastewater improvements	4,084,960	169,298
Total Wastewater Utility	4,084,960	169,298
Total business-type activities debt:	\$ 5,027,960	\$ 235,298

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CITY OF BICKNELL
OTHER REPORT

The annual report presented herein was prepared in addition to another official report prepared for the individual City office listed below:

City Court

CITY OF BICKNELL
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Rainy Day Fund	2008	\$ 67,784
Riverboat Fund	2008	61,134
Motor Vehicle Highway Fund	2008	33,341

IC 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 City)

The City of Bicknell maintains a capital asset ledger; however, the ledger has not been updated since 2005.

Every governmental unit should have a complete inventory of all capital assets owned which reflects 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)

CAPITAL ASSET RECORDS (Applies to Wastewater Utility)

The Wastewater Utility records capital asset additions and disposals; however, the construction work in process for the Wastewater Improvement project, which is material to the unit, has not been recorded in 2007 or 2008. The Wastewater Utility recorded the Wastewater treatment construction costs that were paid from the depreciation cash as construction work in process. The Wastewater Improvement construction costs that were paid from the State Revolving Fund loan proceeds have not been recorded as construction work in process or capital assets, to date.

The Wastewater Utility has recorded the disposal of the old Wastewater treatment plant in the amount of \$3,987,542.09 as of December 31, 2008. The offsetting amount of the new Wastewater treatment plant in SRF loan proceeds of \$4,250,000 is not recorded as a capital asset or as construction work in process.

Every governmental unit should have a complete inventory of all capital assets owned which reflects 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)

CITY OF BICKNELL
AUDIT RESULTS AND COMMENTS
(Continued)

COMPENSATION AND BENEFITS

Greg Bourlard, President of the Common Council, received \$720 in 2008 for per diem to attend Knox County Area Plan Commission meetings. These payments were not included in the payroll system or on the salary ordinance or resolution.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment appeared in the prior audit report.

COMPENSATION AND BENEFITS - UTILITY EMPLOYEES

During 2008, some Utility employees received \$50 per weekend for being on-call. These payments were included in the payroll system and were documented on time sheets; however, they were not included on the salary ordinance. Any compensation received by an employee that is not included on an approved salary ordinance may be the personal responsibility of the employee.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

CONTRACTS

Payments totaling \$3,600 were made to Bicknell Senior Services for Utility and general expenses in 2008 without a contract.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS

It was documented that receipts were deposited later than the next business day on 40% of the receipts reviewed during the audit period. On average, the deposit date was 11 days later than the receipt date and in one instance it was 20 days later.

IC 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

CITY OF BICKNELL
AUDIT RESULTS AND COMMENTS
(Continued)

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

IC 5-15-6-3 concerning optical imaging of checks states in part:

"(a) . . . "original records" . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . . "

Further, IC 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

OVERDRAWN CASH BALANCES

The cash balances of the General and Motor Vehicle Highway Funds were overdrawn in 2008.

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)

POLICE DEPARTMENT RECEIPTS AND FEES

Receipts and fees collected by the police department are immediately put into a lockbox. The City Judge and Clerk-Treasurer are the only persons with the keys to the box. The Clerk-Treasurer is responsible for unlocking the box and taking out the receipts to be deposited on the next business day. Receipts remained in the lockbox up to 25 days until the Clerk-Treasurer removed them and it appeared the Clerk-Treasurer picked up receipts from the department once a month instead of at least once a week.

CITY OF BICKNELL
AUDIT RESULTS AND COMMENTS
(Continued)

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

A similar comment appeared in a prior report.

TRAVEL CLAIMS

In some instances, employees were reimbursed for travel expenses without providing original receipts. Employees were reimbursed for mileage without a proper mileage claim being filed (General Form 101).

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

ANNUAL REPORT

The 2008 annual financial report presented for audit contained numerous errors and did not agree with the reconciled bank and ledger balances. The ending balance of the report was \$321 higher than the reconciled ledger balances.

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)

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

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

Compliance

We have audited the compliance of the City of Bicknell (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2008. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

As described in item 2008-1 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding equipment and real property management that are applicable to its Capitalization Grants For Clean Water State Revolving Funds. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order

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

to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in item 2008-1 of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider item 2008-1, to be a material weakness.

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

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

STATE BOARD OF ACCOUNTS

October 15, 2009

CITY OF BICKNELL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2008

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Housing and Community Development Authority Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Housing Development Fund	14.228	HD-007-021	\$ 101,447
Pass-Through Office of Lieutenant Governor Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Bicknell Planning Grant	14.228	PL-05-037	30,000
Total for federal grantor agency			<u>131,447</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds WW 0406-42-1 Small Systems Technical Assistance Fund Program	66.458		1,122,606 25,000
Total for federal grantor agency			<u>1,147,606</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance Disaster 1766 (Presidentially Declared Disasters)	97.036		70,150
Total for federal grantor agency			<u>70,150</u>
Total federal awards expended			<u>\$ 1,349,203</u>

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

CITY OF BICKNELL
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 of Bicknell (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF BICKNELL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	no

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Program:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2008-1, LACK OF CAPITAL ASSET RECORDS

Federal Agency: US Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Pass-Through Entity: Indiana Finance Authority

The Bicknell Wastewater Utility records capital asset additions and disposals; however, none of the State Revolving Funds loan construction costs, in the amount of \$4,250,000, have been added to the construction work in progress which is a material misstatement of the capital assets.

Sufficient property records must be accompanied in accordance with 40CFR31.32(d), which states in part: "(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years . . ."

The City's unable to effectively monitor the retention or disposition of capital assets acquired with federal funds. Failure to conduct complete and accurate inventories and reconcile the results to the detailed capital asset ledger could result in some assets being lost, stolen or misappropriated and not detected within a reasonable time.

We recommended that the City of Bicknell Wastewater Utility record the construction costs of the wastewater treatment plant in construction work in progress. We also recommend that the City of Bicknell Wastewater implement policies and procedures to ensure that reported capital asset data is accurate and complete.

CITY OF BICKNELL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



City of Bicknell, Indiana

Mayor Jon G. Flickinger

119 E. 2nd Street - PO Box 127

Bicknell, In 47512

Phone: 812-735-3559 Fax: 812-735-3316

CORRECTIVE ACTION PLAN

FINDING NO. 2008-1

Auditee Contact Person: Rita Dupire
Title of Contact Person: Clerk-Treasurer
Phone Number: (812)-735-4636
Expected Completion Date: As soon as possible

The City of Bicknell will implement a better monitoring system for our capital assets accounting. We will put in place the following procedures immediately.

1. We will work in unison with our project engineer to ensure that when payments are made on construction contracts on the new wastewater plant, they will be accounted for in the Construction Work in Progress account.
2. We will also ensure that if any part of the old plant is disposed of, that the replacement assets will be accounted for in Construction Work in Progress.
3. We will also work in unison with our loan administrators to ensure when the exact end date of the project is and begin accounting for the new plant in the capital assets accounts on the general ledger and on the capital assets ledger.

Rita Dupire
9-14-09

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CITY OF BICKNELL
EXIT CONFERENCE

The contents of this report were discussed on October 15, 2009, with Jon G. Flickinger, Mayor; Rita Dupire, Clerk-Treasurer; Stephen M. Sandefer, Councilman-at-Large; Earl E. Horst, Superintendent of Water Utility; Matt D. Brough, Superintendent of Wastewater Utility; and Rebecca L. McGlone, Office Manager. The officials concurred with our audit findings.