

B37749

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, 2009 to December 31, 2009



FILED
11/09/2010

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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	01-01-09 to 12-31-11
President of the Common Council	Greg Bourlard	01-01-09 to 12-31-10
Superintendent of Water Utility	Earl E. Horst	01-01-09 to 12-31-10
Superintendent of Wastewater Utility	Matt D. Brough	01-01-09 to 12-31-10
Utility Office Manager	Rebecca L. McGlone Jessica Kent	01-01-09 to 04-30-10 05-01-10 to 12-31-10
City Court Judge	Andrew D. Moreland	01-01-08 to 03-25-10
City Court Judge Pro Tempore	Michael D. Edwards	10-14-09 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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, 2009 to December 31, 2009. 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, 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 11, 2010

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, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ (135,677)	\$ 1,075,382	\$ 747,928	\$ 191,777
Motor Vehicle Highway	(7,854)	171,192	65,221	98,117
Local Road and Street	69,925	15,086	28,445	56,566
Park and Recreation	81,585	35,543	57,949	59,179
Law Enforcement Continuing Education	13,247	10,143	6,354	17,036
Sanitation	113,786	61,808	130,386	45,208
Sanitation TIP	16,081	56,989	55,533	17,537
Economic Development Income Tax	145,275	92,499	57,307	180,467
Riverboat	-	81,439	-	81,439
Rainy Day	173,933	43,553	207,486	10,000
General Industries Health Clinic	29,954	1,657	-	31,611
Trabant Fund - Fire	29,874	3,700	11,661	21,913
Trabant Fund - General	-	41,175	41,175	-
Judicial Court	416	523	300	639
Park Donation - Skating Rink	9,161	1,225	2,228	8,158
Park Donation - Hoover	6,615	79	-	6,694
Park Donation - Westfall	22,052	3,413	5,050	20,415
Community Watch	175	-	-	175
Equipment Debt	1,120	-	-	1,120
Police Trust Fund	6,540	156	-	6,696
Cumulative Capital Improvement	54,933	10,358	9,165	56,126
Golf Cart Fines	-	275	225	50
Proprietary Funds:				
Water Utility - Operating	48,751	645,642	611,393	83,000
Water Utility - Bond and Interest	235,434	146,258	178,871	202,821
Water Utility - Depreciation	53,328	77,096	110,571	19,853
Water Utility - Customer Deposit	30,754	5,786	4,511	32,029
Wastewater Utility - Operating	105,984	848,682	844,207	110,459
Wastewater Utility - Depreciation	189,986	195,325	64,789	320,522
Wastewater Utility - Customer Deposit	31,713	10,069	6,683	35,099
Fiduciary Funds:				
Police Pension (PERF '77 Fund)	20,847	51,392	37,067	35,172
Payroll	3,547	1,059,073	1,059,327	3,293
City Court	6,889	22,364	17,678	11,575
Totals	<u>\$ 1,358,374</u>	<u>\$ 4,767,882</u>	<u>\$ 4,361,510</u>	<u>\$ 1,764,746</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 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.

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.

CITY OF BICKNELL
NOTES TO FINANCIAL INFORMATION
(Continued)

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.

Note 6. 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 administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

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

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

CITY OF BICKNELL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

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>1,060,616</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 3,861,109</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	3,887,852
Machinery and equipment	<u>181,231</u>
 Total Water Utility capital assets	 <u>4,307,489</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	44,063
Construction in progress	1,227,434
Buildings	3,180,906
Improvements other than buildings	4,649,736
Machinery and equipment	<u>1,678,238</u>
 Total Wastewater Utility capital assets	 <u>10,780,377</u>
 Total business-type activities capital assets	 <u>\$ 15,087,866</u>

CITY OF BICKNELL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

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)	\$ 41,151	\$ 20,165
Total governmental activities debt	<u>\$ 41,151</u>	<u>\$ 20,165</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
1979 water revenue bonds for improvements	\$ 877,000	\$ 70,000
Total Water Utility	<u>877,000</u>	<u>70,000</u>
Wastewater Utility:		
Loan payable:		
2006 SRF loan for wastewater improvements	<u>3,915,662</u>	<u>173,666</u>
Total Wastewater Utility	<u>3,915,662</u>	<u>173,666</u>
Total business-type activities debt	<u>\$ 4,792,662</u>	<u>\$ 243,666</u>

CITY OF BICKNELL
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

The 2009 annual financial report presented for examination contained the following errors:

- (1) The beginning balances used in the report did not agree with prior year ending balances.
- (2) Amounts reported in the annual report did not agree with the ledger.
- (3) Investments were not classified in the correct funds.
- (4) Some ending balances did not agree with 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 balances 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)

A similar comment appeared in prior reports.

ANNUAL REPORT NOT FILED ELECTRONICALLY

The 2009 annual report for the City of Bicknell was not filed in the electronic format prescribed by the Indiana State Board of Accounts. The annual report submitted by the City of Bicknell is in direct non-compliance with Indiana Code 5-11-1-4.

IC 5-11-1-4 states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General Fund	2009	<u>\$ 98,779</u>

CITY OF BICKNELL
EXAMINATION RESULTS AND COMMENTS
(Continued)

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."

A similar comment appeared in prior reports.

CERTIFICATION OF CLAIMS BY FISCAL OFFICER

All claims tested during the examination period were not certified by the Clerk-Treasurer, who is the Fiscal Officer of the City. Instead all claims were certified by the Deputy Clerk-Treasurer or City Court Clerk. No certification of claims by the Fiscal Officer was noted on the claims register during the year.

IC 36-4-8-7 states in part:

"(a) As used in this section, 'claim' means a bill or an invoice submitted for goods or services. (b) Except as provided in section 14 of this chapter, a warrant for payment of a claim against a city may be issued only if the claim is: (1) supported by a fully itemized invoice or bill under IC 5-11-10-1.6; (2) approved by the officer or person receiving the goods or services; (3) filed with the city fiscal officer; (4) audited and certified by the fiscal officer before payment that each invoice is true and correct; and (5) allowed by the city legislative body or the city board having jurisdiction over allowance of the claim."

COMPENSATION AND BENEFITS

Greg Bourlard, Common Council President, received \$720 in 2009 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 prior reports.

CONTRACTS

Payments totaling \$3,600 were made to Bicknell Senior Services for utility expenses and general expenses in 2009 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)

A similar comment appeared in prior reports.

CITY OF BICKNELL
EXAMINATION RESULTS AND COMMENTS
(Continued)

LOCAL LAW ENFORCEMENT CONTINUING EDUCATION FUND RECEIPTS

A police car was sold during 2009 and the proceeds were deposited to the Local Law Enforcement Continuing Education Fund. The car was originally purchased from the General Fund and any proceeds from the sale of the car should have been receipted to the General Fund.

Proceeds generated from the sale or rental of property should be receipted into the fund which originally purchased the property unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The following types of revenue shall be deposited into the Local Law Enforcement Continuing Education Fund established under IC 5-2-8-2:

1. Law Enforcement Continuing Education Fees (IC 33-3-5-8 and IC 33-37-8-3)
2. Inspection of motor vehicle fees (IC 9-29-4-2)
3. Vehicle accident report fees (IC 35-47-2-3)
4. Handgun license fees (IC 35-4-2-3)
5. Proceeds from the sale of confiscated weapons (IC 35-47-3-2)

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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."

CITY OF BICKNELL
EXAMINATION RESULTS AND COMMENTS
(Continued)

"(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)."

A similar comment appeared in prior reports.

ORDINANCES AND RESOLUTIONS

The Water Utility Ordinance No. 1979-14, amended by Ordinance No. 4-1992, sets forth the definitions for expenditures from debt service funds used to pay the 1979 water utility revenue bonds. The City paid \$67,371 for water utility improvements and repairs out of the bond and interest fund. Per the ordinance, the only allowable expenditures from the bond and interest fund are for payment of principal and interest due per the terms of the bond.

Water Utility ordinance No. 1992-4, passed by the City on February 2, 1992, states in part: . . .

"(c) Bond and Interest Redemption Account. Twenty-eight and five tenths percent (28.5%) of the gross revenues of the waterworks shall, as such revenues are received, be set apart and paid into a special account to be identified as the 'Bond and Interest Redemption Account'. The funds in said account shall be used solely for the purpose of paying the interest on and principal of bonds which by their terms are payable from the revenues of the waterworks. If and when a surplus shall be created in said Bond and Interest Redemption Account which shall be in excess of the interest on a principal of the bonds, plus ten percent (10%), which are payable during the then current calendar, operating or fiscal year, together with the amount of interest on and principal of the bonds which will become due and payable during the calendar, operating or fiscal year then next ensuing, then the Common Council may transfer any excess over such surplus to either the Operating and Maintenance Account or to the Depreciation Account."

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)

PHYSICAL AND MENTAL FITNESS EXAMINATIONS

During 2009, the City paid for the required physical examinations and mental fitness exams for three individuals who were later hired as police officers. The City entered into an agreement with the individuals which required that they reimburse the City for these examinations through payroll deductions when hired. The total amount paid from the Local Law Enforcement Continuing Education Fund for these examinations was \$2,540. As of December 31, 2009, the balance owed by the officers to the City was \$1,715. All three officers resigned in 2010 leaving a balance owed to the City of \$1,065 as of July 15, 2010. No efforts are being made by the City to obtain monies owed by the former police officers.

IC 5-2-8-6 states:

"Funds received by a law enforcement agency shall be used for the continuing education and training of law enforcement officers employed by the agency and for equipment and supplies for law enforcement purposes."

CITY OF BICKNELL
EXAMINATION RESULTS AND COMMENTS
(Continued)

In addressing the payment of the cost of physical and mental fitness examinations, IC 36-8-8-19(d) states: "The employer shall pay for no less than one-half (1/2) of the cost of the examinations."

CONDITION OF RECORDS - UTILITY INVESTMENTS

Financial records presented for examination for the utilities were incomplete due to erroneous entries in the ledger for investments. The following errors were noted:

- (1) A \$25,000 investment purchased on December 15, 2009, from the Water Utility - Operating Fund, was posted on the ledger as a Water Utility - Bond and Interest Fund investment.
- (2) A \$5,000 investment purchased on May 12, 2009, from the Wastewater Utility - Customer Deposit Fund was not posted to the ledger.

The Utility reconcilements did not agree to the posted amounts on the utility ledgers due to these erroneous entries.

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)

DEPOSITING OF UTILITY RECEIPTS

During review of utility receipts, it was noted that all entries to the daily receipts ledger were classified as cash. The deposits slips stated that deposits were made by check and cash. Since all entries to ledger were not properly classified, it was not possible to prove if receipts are deposited intact.

IC 5-13-6-1 (d) requires cities and towns to deposit all funds not later than the next 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.

Public funds deposited should be deposited in the same form in which they were received. This simply means all daily deposits receipted by the political subdivision should be deposited intact. (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 Clerk-Treasurer is the only person with the key 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 maximum of 20 days before the Clerk-Treasurer collected them. The Clerk-Treasurer picked up receipts from the department twice a month instead of at least once a week.

CITY OF BICKNELL
EXAMINATION 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 prior reports.

CITY OF BICKNELL
EXIT CONFERENCE

The contents of this report were discussed on August 11, 2010, with Jon G. Flickinger, Mayor; Rita Dupire, Clerk-Treasurer; Kerry D. Currier, City Attorney; and Stephen M. Sandefer, Common Council member. The officials concurred with our findings.