

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF BICKNELL
KNOX COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
10/25/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rebecca McGlone	01-01-12 to 12-31-15
Mayor	Jon G. Flickinger	01-01-12 to 12-31-15
President of the Board of Public Works	Jon G. Flickinger	01-01-12 to 12-31-15
President of the Common Council	Richard R. Byrer	01-01-12 to 12-31-13
Superintendent of Water Utility	Earl E. Horst	01-01-12 to 12-31-13
Superintendent of Wastewater Utility	Matthew D. Brough	01-01-12 to 12-31-13



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Bicknell (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(Continued)

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2012.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 1, 2013, 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 integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. 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 financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.



Bruce Hartman
State Examiner

October 1, 2013



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, 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, the financial statement of the City of Bicknell (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated October 1, 2013, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2012-1 and 2012-2 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1.

City of Bicknell's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Hartman
State Examiner

October 1, 2013

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF BICKNELL
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ (120,260)	\$ 999,978	\$ 807,510	\$ 72,208
Motor Vehicle Highway	112,432	82,080	108,160	86,352
Local Road And Street	33,201	14,966	5,612	42,555
NSP1 Grant	-	276,925	276,874	51
Law Enforcement Continuing Ed	10,327	4,077	3,308	11,096
Riverboat	67,166	17,268	84,434	-
Parks And Recreation	(15,862)	88,553	62,631	10,060
Rainy Day	34,480	-	34,479	1
Cedit Capital Projects	203,934	43,712	235,797	11,849
Police Pension	13,601	34,288	44,325	3,564
Recycling Assist Grant	-	7,500	5,619	1,881
Special Events Fund	-	611	-	611
Stormwater Grant	-	-	35	(35)
NSP3 Grant	-	470,459	199,095	271,364
Safe Routes to School Sidewalk Project	-	24,644	36,318	(11,674)
Sign Replacement Grant	-	28,597	37,401	(8,804)
Downtown Revilatization Grant	-	69,301	75,550	(6,249)
Rehabilitation Grant	-	217,585	217,585	-
Park Trust	6,749	-	6,749	-
Donations	57,561	18,903	5,238	71,226
Fire Donation	23,255	20,909	4,893	39,271
Park Donation	6,191	1,883	1,496	6,578
Community Services	175	-	-	175
Sanitation-Street	78,158	90,709	109,193	59,674
Sanit-Tip	11,279	62,021	55,044	18,256
Industry-Clinic	37,429	3,600	2,890	38,139
Judicial	1,788	489	-	2,277
Golfcart Fund	1,000	800	-	1,800
Debt Service - Other	1,120	-	-	1,120
Capital Improvements	60,315	8,120	50,835	17,600
Park-Rink	2,579	1,625	-	4,204
Payroll	-	923,024	923,024	-
Payroll Withholding-Oasi	8,316	173,903	179,078	3,141
Park Donation Trust	6,726	3	-	6,729
Wastewater Meter Money Market #122317432	-	10,004	10,004	-
Wastewater Utility-Operating	108,865	823,929	825,931	106,863
Wastewater Utility-Deprec/Improve	600,757	150,952	243,723	507,986
Wastewater Utility-Customer Deposit	37,751	15,303	13,170	39,884
Water Debt Service Reserve Money Market	-	61,012	-	61,012
Water Reserve Money Market	-	50,015	50,015	-
Water Utility Money Market #122318158	-	25,215	25,215	-
Water Utility-Operating	172,946	880,059	961,212	91,793
Water Utility-Bond And Interest	395,931	137,914	531,369	2,476
Water Utility-Depreciation/Improve	46,259	640,772	539,385	147,646
Water Utility-Customer Deposit	32,388	5,630	4,701	33,317
COURT	11,648	37,667	39,917	9,398
Totals	<u>\$ 2,048,205</u>	<u>\$ 6,525,005</u>	<u>\$ 6,817,815</u>	<u>\$ 1,755,395</u>

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

CITY OF BICKNELL
NOTES TO FINANCIAL STATEMENT

Note 1. 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 some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, general administrative services, water, wastewater, trash and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF BICKNELL
NOTES TO FINANCIAL STATEMENT
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

CITY OF BICKNELL
NOTES TO FINANCIAL STATEMENT
(Continued)

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF BICKNELL
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

The City may be 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; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) 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 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of expenditures being made from grant funds before reimbursements were received.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF BICKNELL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	General	Motor Vehicle Highway	Local Road And Street	NSP1 Grant	Law Enforcement Continuing Ed	Riverboat	Parks And Recreation
Cash and investments - beginning	\$ (120,260)	\$ 112,432	\$ 33,201	\$ -	\$ 10,327	\$ 67,166	\$ (15,862)
Receipts:							
Taxes	206,947	-	-	-	-	-	76,165
Licenses and permits	4,229	-	-	-	1,460	-	-
Intergovernmental	190,489	79,925	14,753	276,925	-	17,268	4,546
Charges for services	-	626	-	-	384	-	-
Fines and forfeits	21,129	-	-	-	840	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	577,184	1,529	213	-	1,393	-	7,842
Total receipts	<u>999,978</u>	<u>82,080</u>	<u>14,966</u>	<u>276,925</u>	<u>4,077</u>	<u>17,268</u>	<u>88,553</u>
Disbursements:							
Personal services	457,062	88,382	-	-	-	-	48,392
Supplies	123,289	4,811	5,612	-	1,794	-	1,153
Other services and charges	186,635	14,967	-	-	704	-	13,086
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	40,524	-	-	276,874	810	84,434	-
Total disbursements	<u>807,510</u>	<u>108,160</u>	<u>5,612</u>	<u>276,874</u>	<u>3,308</u>	<u>84,434</u>	<u>62,631</u>
Excess (deficiency) of receipts over disbursements	<u>192,468</u>	<u>(26,080)</u>	<u>9,354</u>	<u>51</u>	<u>769</u>	<u>(67,166)</u>	<u>25,922</u>
Cash and investments - ending	<u>\$ 72,208</u>	<u>\$ 86,352</u>	<u>\$ 42,555</u>	<u>\$ 51</u>	<u>\$ 11,096</u>	<u>\$ -</u>	<u>\$ 10,060</u>

CITY OF BICKNELL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Rainy Day	Cedit Capital Projects	Police Pension	Recycling Assist Grant	Special Events Fund	Stormwater Grant	NSP3 Grant
Cash and investments - beginning	\$ 34,480	\$ 203,934	\$ 13,601	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	17,973	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	43,442	1,073	-	-	-	470,440
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	270	15,242	7,500	611	-	19
Total receipts	<u>-</u>	<u>43,712</u>	<u>34,288</u>	<u>7,500</u>	<u>611</u>	<u>-</u>	<u>470,459</u>
Disbursements:							
Personal services	-	-	-	5,619	-	-	-
Supplies	-	-	-	-	-	-	19
Other services and charges	-	6,197	-	-	-	35	199,076
Capital outlay	-	75,150	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	34,479	154,450	44,325	-	-	-	-
Total disbursements	<u>34,479</u>	<u>235,797</u>	<u>44,325</u>	<u>5,619</u>	<u>-</u>	<u>35</u>	<u>199,095</u>
Excess (deficiency) of receipts over disbursements	<u>(34,479)</u>	<u>(192,085)</u>	<u>(10,037)</u>	<u>1,881</u>	<u>611</u>	<u>(35)</u>	<u>271,364</u>
Cash and investments - ending	<u>\$ 1</u>	<u>\$ 11,849</u>	<u>\$ 3,564</u>	<u>\$ 1,881</u>	<u>\$ 611</u>	<u>\$ (35)</u>	<u>\$ 271,364</u>

CITY OF BICKNELL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Safe Routes to School Sidewalk Project	Sign Replacement Grant	Downtown Revitalization Grant	Rehabilitation Grant	Park Trust	Donations	Fire Donation
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 6,749	\$ 57,561	\$ 23,255
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	9,812	-
Intergovernmental	24,644	28,597	55,704	217,525	-	-	-
Charges for services	-	-	-	-	-	-	4,605
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	13,597	60	-	9,091	16,304
Total receipts	<u>24,644</u>	<u>28,597</u>	<u>69,301</u>	<u>217,585</u>	<u>-</u>	<u>18,903</u>	<u>20,909</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	367	4,593
Other services and charges	36,318	37,401	75,550	217,585	-	4,871	300
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	6,749	-	-
Total disbursements	<u>36,318</u>	<u>37,401</u>	<u>75,550</u>	<u>217,585</u>	<u>6,749</u>	<u>5,238</u>	<u>4,893</u>
Excess (deficiency) of receipts over disbursements	<u>(11,674)</u>	<u>(8,804)</u>	<u>(6,249)</u>	<u>-</u>	<u>(6,749)</u>	<u>13,665</u>	<u>16,016</u>
Cash and investments - ending	<u>\$ (11,674)</u>	<u>\$ (8,804)</u>	<u>\$ (6,249)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,226</u>	<u>\$ 39,271</u>

CITY OF BICKNELL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Park Donation	Community Services	Sanitation-Street	Sanit-Tip	Industry-Clinic	Judicial	Golfcart Fund
Cash and investments - beginning	\$ 6,191	\$ 175	\$ 78,158	\$ 11,279	\$ 37,429	\$ 1,788	\$ 1,000
Receipts:							
Taxes	-	-	80,932	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	4,830	-	-	-	-
Charges for services	370	-	-	57,344	3,600	-	800
Fines and forfeits	-	-	-	-	-	489	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,513	-	4,947	4,677	-	-	-
Total receipts	<u>1,883</u>	<u>-</u>	<u>90,709</u>	<u>62,021</u>	<u>3,600</u>	<u>489</u>	<u>800</u>
Disbursements:							
Personal services	-	-	83,869	-	-	-	-
Supplies	610	-	973	22,511	89	-	-
Other services and charges	275	-	17,703	32,233	2,801	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	611	-	6,648	300	-	-	-
Total disbursements	<u>1,496</u>	<u>-</u>	<u>109,193</u>	<u>55,044</u>	<u>2,890</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>387</u>	<u>-</u>	<u>(18,484)</u>	<u>6,977</u>	<u>710</u>	<u>489</u>	<u>800</u>
Cash and investments - ending	<u>\$ 6,578</u>	<u>\$ 175</u>	<u>\$ 59,674</u>	<u>\$ 18,256</u>	<u>\$ 38,139</u>	<u>\$ 2,277</u>	<u>\$ 1,800</u>

CITY OF BICKNELL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Debt Service - Other	Capital Improvements	Park-Rink	Payroll	Payroll Withholding-Oasi	Park Donation Trust	Wastewater Meter Money Market #122317432
Cash and investments - beginning	\$ 1,120	\$ 60,315	\$ 2,579	\$ -	\$ 8,316	\$ 6,726	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	8,120	-	-	-	-	-
Charges for services	-	-	1,625	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	923,024	173,903	3	10,004
Total receipts	-	8,120	1,625	923,024	173,903	3	10,004
Disbursements:							
Personal services	-	-	-	923,024	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	3,136	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	47,699	-	-	179,078	-	10,004
Total disbursements	-	50,835	-	923,024	179,078	-	10,004
Excess (deficiency) of receipts over disbursements	-	(42,715)	1,625	-	(5,175)	3	-
Cash and investments - ending	\$ 1,120	\$ 17,600	\$ 4,204	\$ -	\$ 3,141	\$ 6,729	\$ -

CITY OF BICKNELL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Wastewater Utility-Operating	Wastewater Utility-Deprec/Improve	Wastewater Utility-Customer Deposit	Water Debt Service Reserve Money Market	Water Reserve Money Market	Water Utility Money Market #122318158
Cash and investments - beginning	\$ 108,865	\$ 600,757	\$ 37,751	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	821,905	-	15,291	-	-	-
Other receipts	2,024	150,952	12	61,012	50,015	25,215
Total receipts	<u>823,929</u>	<u>150,952</u>	<u>15,303</u>	<u>61,012</u>	<u>50,015</u>	<u>25,215</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	316,047	86,923	41	-	-	-
Other disbursements	509,884	156,800	13,129	-	50,015	25,215
Total disbursements	<u>825,931</u>	<u>243,723</u>	<u>13,170</u>	<u>-</u>	<u>50,015</u>	<u>25,215</u>
Excess (deficiency) of receipts over disbursements	<u>(2,002)</u>	<u>(92,771)</u>	<u>2,133</u>	<u>61,012</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 106,863</u>	<u>\$ 507,986</u>	<u>\$ 39,884</u>	<u>\$ 61,012</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BICKNELL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility-Depreciation/Improve	Water Utility-Customer Deposit	COURT	Totals
Cash and investments - beginning	\$ 172,946	\$ 395,931	\$ 46,259	\$ 32,388	\$ 11,648	\$ 2,048,205
Receipts:						
Taxes	-	-	-	-	-	382,017
Licenses and permits	-	-	-	-	-	15,501
Intergovernmental	-	-	-	-	-	1,438,281
Charges for services	-	-	-	-	-	69,354
Fines and forfeits	-	-	-	-	37,667	60,125
Utility fees	624,668	-	-	5,554	-	1,467,418
Other receipts	255,391	137,914	640,772	76	-	3,092,309
Total receipts	<u>880,059</u>	<u>137,914</u>	<u>640,772</u>	<u>5,630</u>	<u>37,667</u>	<u>6,525,005</u>
Disbursements:						
Personal services	-	-	-	-	-	1,606,348
Supplies	-	-	-	-	-	165,821
Other services and charges	-	-	-	-	-	848,873
Capital outlay	-	-	444,444	-	-	519,594
Utility operating expenses	357,307	-	50,495	58	-	810,871
Other disbursements	603,905	531,369	44,446	4,643	39,917	2,866,308
Total disbursements	<u>961,212</u>	<u>531,369</u>	<u>539,385</u>	<u>4,701</u>	<u>39,917</u>	<u>6,817,815</u>
Excess (deficiency) of receipts over disbursements	<u>(81,153)</u>	<u>(393,455)</u>	<u>101,387</u>	<u>929</u>	<u>(2,250)</u>	<u>(292,810)</u>
Cash and investments - ending	<u>\$ 91,793</u>	<u>\$ 2,476</u>	<u>\$ 147,646</u>	<u>\$ 33,317</u>	<u>\$ 9,398</u>	<u>\$ 1,755,395</u>

CITY OF BICKNELL
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 878	\$ 27,240
Water	7,299	56,123
Court	-	-
Governmental activities	<u>18,687</u>	<u>-</u>
Totals	<u>\$ 26,864</u>	<u>\$ 83,363</u>

CITY OF BICKNELL
 SCHEDULE OF LEASES AND DEBT
 December 31, 2012

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities: Notes and loans payable	FROM WASTEWATER DEPRECIATION TO GENERAL FUND	\$ 100,000	\$ 100,000
Wastewater: Notes and loans payable	WASTEWATER TREATMENT PLANT	3,381,108	272,271
Water: Revenue bonds	WATERWORKS REFUNDING REVENUE BONDS OF 2012	610,000	67,537
Totals		<u>\$ 4,091,108</u>	<u>\$ 439,808</u>

CITY OF BICKNELL
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2012

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.

	Ending Balance
Governmental activities:	
Land	\$ 447,028
Buildings	1,981,619
Improvements other than buildings	317,846
Machinery, equipment, and vehicles	967,034
Total governmental activities	3,713,527
Wastewater:	
Land	44,063
Buildings	3,180,906
Improvements other than buildings	4,591,817
Machinery, equipment, and vehicles	1,715,767
Total Wastewater	9,532,553
Water:	
Land	6,750
Buildings	231,656
Improvements other than buildings	5,150,291
Machinery, equipment, and vehicles	181,232
Total Water	5,569,929
Court:	
Total Court	-
Total capital assets	\$ 18,816,009

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>
General	2012	\$ 17,318
Police Pension	2012	6,410

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

A similar comment appeared in the prior report.

INTERNAL CONTROLS

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient.

1. Internal Controls over Utility Receipts: Effective internal controls were not exercised over utility receipts. We could not determine if deposits were made intact since the payment type was not noted on stubs and daily cash entry lists did not differentiate between cash and checks. The lack of effective internal controls over utility receipts could lead to fraudulent financial statement reporting.
2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statements and then determining how those identified risks should be managed. The City has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement. It was noted that the completed financial statement did not include material funds and balances, and beginning balances and investments were not reported properly on the financial statement. The City did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

CITY OF BICKNELL
AUDIT RESULTS AND COMMENTS
(Continued)

3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Common Council to monitor and assess the quality of the City's system of internal control. The Common Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the City at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the City has no process to identify or communicate corrective actions to improve controls.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS – CITY COURT

The City of Bicknell entered into an interlocal agreement with the Town of Edwardsport to process the Town's local ordinance violations through Bicknell City Court. The records presented for audit included the following deficiencies:

1. Some of the tickets processed by the Bicknell court clerk for Edwardsport ordinance violations were actually Indiana Code infraction judgments and court costs were not properly assessed against the defendant.
2. Court fees were not disbursed in a timely manner to the State of Indiana, Knox County, City of Bicknell and Town of Edwardsport.
3. Receipts for violations were not deposited and posted to the court cash book on a timely basis.
4. A court case docket was not kept by the court clerk.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

A similar comment appeared in the prior report.

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Bicknell's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2012. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for

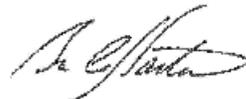
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Bruce Hartman
State Examiner

October 1, 2013

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the City. The schedule and notes are presented as intended by the City.

CITY OF BICKNELL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2012

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through Southern Indiana Development Commission Rural Housing Preservation Grants Bicknell Homeowner Repair and Improvement Project	10.433		\$ 20,745
Total for federal grantor agency			<u>20,745</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Housing and Community Development Authority CDBG-State Administered CDBG Cluster Community Development Block Grants/State's Program and Non- Entitlement Grants in Hawaii Bicknell Housing Rehab Project Bicknell Neighborhood Stabilization Project	14.228	HD-011-006 NSP3-011-003	196,675 199,076
Pass-Through Indiana Office of Community and Rural Affairs Bicknell Water Improvements Project		DR2-09-140	<u>180,474</u>
Total for cluster			<u>576,225</u>
Total for federal grantor agency			<u>576,225</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction Bicknell Programmatic Sign Replacement Project Safe Routes to Schools Project Downtown Revitalization Project	20.205	Des. 1005900 Des. 1173671 Des. 1172765	28,598 24,644 55,704
Total for cluster			<u>108,946</u>
Total for federal grantor agency			<u>108,946</u>
Total federal awards expended			<u>\$ 705,916</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF BICKNELL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. 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 cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to sub-recipients as follows for the year ended December 31, 2012:

Program Title	Federal CFDA Number	2012
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	\$ <u>199,076</u>

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

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section. 300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section.310."

OMB Circular A-133, Subpart C, section. 310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision I the Department of Health and Human Services.
- (2) For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub-recipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

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

FINDING 2012-2 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the City related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. **Internal Controls over Utility Receipts:** Effective internal controls were not exercised over utility receipts. We could not determine if deposits were made intact since the payment type was not noted on stubs and daily cash entry lists did not differentiate between cash and checks. The lack of effective internal controls over utility receipts could lead to fraudulent financial statement reporting.
2. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statement and then determining how those identified risks should be managed. The City has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement. It was noted that the completed financial statement did not include material funds and balances, and beginning balances and investments were not reported properly on the financial statement.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Common Council to monitor and assess the quality of the City's system of internal control. The Common Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the City at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the City has no process to identify or communicate corrective actions to improve controls.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

City of Bicknell

Rebecca McGlone
Clerk – Treasurer
119 E. Second Street
Bicknell, IN 47512
(812) 735-4636 Office
(812) 735-3316 Fax

CORRECTIVE ACTION PLAN

September 24, 2013

FINDING 2012-1 – THE SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS

Audit Contact Person: Rebecca McGlone
Title of Contact Person: Clerk – Treasurer
Phone Number of Contact Person: 812-735-4636

The City of Bicknell will review control activities in place for preparation of the Schedule of Federal Awards (SEFA). To avoid possible material misstatements to the SEFA in the future, the city will establish controls ensuring grants and transactions are in agreement with city accounting records. These controls will include tracking Federal receipts and disbursements by using information provided by grantor agencies and by the Clerk – Treasurer reconciling the information to the city ledger on a monthly basis. The deputy Clerk – Treasurer along with Council President will review the reconciliations and verify accuracy before preparing the SEFA. These control activities will reduce the risk of future material misstatements to the SEFA.

Respectfully,

Rebecca McGlone

Rebecca McGlone

City of Bicknell

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CORRECTIVE ACTION PLAN

September 24, 2013

FINDING 2012-2 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Auditee Contact Person: Rebecca McGlone
Title of Contact Person: Clerk – Treasurer
Phone Number of Contact Person: 812-735-4636
Expected Completion Date: As information is made available, and at annual report time.

Plan: When grants are discussed at Council/Board meetings, to determine if/when they are to be received, as well as their ending dates plus all updates concerning the grants. Also, consult with all employees in office at annual report time to insure that all grants are included in report before report is submitted. Create and maintain a spreadsheet of grants and awards, along with pertinent information, to be kept current throughout the year. The deputy Clerk – Treasurer along with Council President will review the reconcilements and verify accuracy before preparing for the annual report.

Internal Controls over Utility Receipts issues have been addressed, and corrective actions have been taken. Each Utility Clerk will mark all stubs as to how payments were made cash, check or both. Also, all Trash Stickers will only be sold with payment method as cash or money order.

Respectfully,

Rebecca McGlone

Rebecca McGlone

CITY OF BICKNELL
EXIT CONFERENCE

The contents of this report were discussed on October 1, 2013, with Rebecca McGlone, Clerk-Treasurer; Richard R. Byrer, President of the Common Council; and Jon G. Flickinger, Mayor.