

**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, 2013 to December 31, 2013



**FILED**

11/26/2014



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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 Pro Tempore of the Common Council	Richard R. Byrer Terry Stremming	01-01-13 to 12-31-13 01-01-14 to 12-31-14
Superintendent of Water Utility	Earl E. Horst	01-01-13 to 12-31-14
Superintendent of Wastewater Utility	Matthew D. Brough	01-01-13 to 12-31-14



## 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, 2013, 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.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***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.

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, 2013.

***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, 2013, 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 9, 2014, 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.

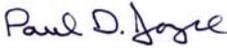
***Accompanying Information***

*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, and Schedule of Leases and Debt, 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.

  
Paul D. Joyce, CPA  
State Examiner

October 9, 2014



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2013, and the related notes to the financial statement, and have issued our report thereon dated October 9, 2014, 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 item 2013-001 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***

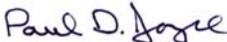
As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 2013-001.

***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.

  
Paul D. Joyce, CPA  
State Examiner

October 9, 2014

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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, 2013

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
General	\$ 72,208	\$ 956,775	\$ 763,348	\$ 265,635
Motor Vehicle Highway	86,352	121,802	96,926	111,228
Local Road And Street	42,555	14,320	22,210	34,665
NSP1 Grant	51	10	61	-
Law Enforcement Continuing Ed	11,096	3,298	10,507	3,887
Clerk's Records Perpetuation	-	758	89	669
Riverboat	-	17,268	-	17,268
Parks And Recreation	10,060	59,811	31,117	38,754
City's User Fee	-	4,406	2,628	1,778
Rainy Day	1	-	-	1
Cedit Capital Projects	11,849	35,653	15,000	32,502
Police Pension	3,563	64,547	53,281	14,829
Recycling Assist Grant	1,881	13,650	10,792	4,739
Special Events Fund	611	412	945	78
Stormwater Grant	(35)	35	-	-
NSP3 Grant	271,365	1,629,055	1,674,116	226,304
Safe Routes to School Sidewalk Project	(11,675)	20,196	8,521	-
Sign Replacement Grant	(8,804)	28,390	28,987	(9,401)
Downtown Revilatization Grant	(6,249)	61,646	55,397	-
Donations	71,227	3,662	65,299	9,590
Fire Donation	39,271	8,623	23,983	23,911
Park Donation	6,578	910	2,191	5,297
Community Services	175	-	-	175
Sanitation-Street	59,674	79,264	93,620	45,318
Sanit-Tip	18,255	72,875	56,602	34,528
Industry-Clinic	38,138	28,896	39,157	27,877
Judicial	2,277	1,833	1,388	2,722
Golfcart Fund	1,800	750	-	2,550
Debt Service - Other	1,120	-	-	1,120
Capital Improvements	17,600	7,825	8,950	16,475
Park-Rink	4,204	1,300	2,885	2,619
Payroll	-	840,123	840,123	-
Payroll Withholding-Oasi	3,142	168,407	169,030	2,519
Park Donation Trust	6,729	-	-	6,729
Wastewater Utility-Operating	106,863	794,708	802,367	99,204
Wastewater Utility-Deprec/Improve	507,986	189,460	342,432	355,014
Wastewater Utility-Customer Deposit	39,884	10,308	8,844	41,348
Water Debt Service Reserve Money Market	61,012	16	-	61,028
Water Utility-Operating	91,793	645,627	647,019	90,401
Water Utility-Bond And Interest	2,475	91,203	90,860	2,818
Water Utility-Depreciation/Improve	147,646	170,943	46,193	272,396
Water Utility-Customer Deposit	33,317	5,730	5,109	33,938
COURT	9,398	56,850	61,428	4,820
Totals	<u>\$ 1,755,393</u>	<u>\$ 6,211,345</u>	<u>\$ 6,081,405</u>	<u>\$ 1,885,333</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, planning and zoning, general administrative services, water, wastewater.

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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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, 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.

Penalties which include fees received for late payments.

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.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

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

CITY OF BICKNELL  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

*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.

CITY OF BICKNELL  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**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.

**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 Capitol Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

CITY OF BICKNELL  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy*

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

**Note 7. Cash Balance Deficit**

The financial statement contains a fund with a deficit in cash. This is a result of the fund being set up for a reimbursement grant. The reimbursement for expenditures made by the City was not received by December 31, 2013.

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## 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, 2013

	General	Motor Vehicle Highway	Local Road And Street	NSP1 Grant	Law Enforcement Continuing Ed	Clerk's Records Perpetuation	Riverboat
Cash and investments - beginning	\$ 72,208	\$ 86,352	\$ 42,555	\$ 51	\$ 11,096	\$ -	\$ -
Receipts:							
Taxes	540,786	35,676	-	-	-	-	-
Licenses and permits	9,864	-	-	-	1,390	-	-
Intergovernmental	177,252	84,504	14,320	-	-	-	17,268
Charges for services	10,154	417	-	-	455	-	-
Fines and forfeits	19,300	-	-	-	1,325	758	-
Utility fees	-	-	-	-	-	-	-
Other receipts	199,419	1,205	-	10	128	-	-
Total receipts	<u>956,775</u>	<u>121,802</u>	<u>14,320</u>	<u>10</u>	<u>3,298</u>	<u>758</u>	<u>17,268</u>
Disbursements:							
Personal services	369,230	70,925	-	-	-	-	-
Supplies	25,241	5,069	2,210	-	1,926	89	-
Other services and charges	219,202	20,932	-	-	4,805	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	3,240	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	149,675	-	20,000	61	536	-	-
Total disbursements	<u>763,348</u>	<u>96,926</u>	<u>22,210</u>	<u>61</u>	<u>10,507</u>	<u>89</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>193,427</u>	<u>24,876</u>	<u>(7,890)</u>	<u>(51)</u>	<u>(7,209)</u>	<u>669</u>	<u>17,268</u>
Cash and investments - ending	<u>\$ 265,635</u>	<u>\$ 111,228</u>	<u>\$ 34,665</u>	<u>\$ -</u>	<u>\$ 3,887</u>	<u>\$ 669</u>	<u>\$ 17,268</u>

CITY OF BICKNELL  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	Parks And Recreation	City's User Fee	Rainy Day	Cedit Capital Projects	Police Pension	Recycling Assist Grant	Special Events Fund
Cash and investments - beginning	\$ 10,060	\$ -	\$ 1	\$ 11,849	\$ 3,563	\$ 1,881	\$ 611
Receipts:							
Taxes	58,295	-	-	-	53,513	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	1,327	-	-	35,653	1,218	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	4,406	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	189	-	-	-	9,816	13,650	412
Total receipts	<u>59,811</u>	<u>4,406</u>	<u>-</u>	<u>35,653</u>	<u>64,547</u>	<u>13,650</u>	<u>412</u>
Disbursements:							
Personal services	20,385	-	-	-	-	10,771	-
Supplies	3,430	-	-	-	-	-	945
Other services and charges	7,272	-	-	15,000	100	21	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	30	2,628	-	-	53,181	-	-
Total disbursements	<u>31,117</u>	<u>2,628</u>	<u>-</u>	<u>15,000</u>	<u>53,281</u>	<u>10,792</u>	<u>945</u>
Excess (deficiency) of receipts over disbursements	<u>28,694</u>	<u>1,778</u>	<u>-</u>	<u>20,653</u>	<u>11,266</u>	<u>2,858</u>	<u>(533)</u>
Cash and investments - ending	<u>\$ 38,754</u>	<u>\$ 1,778</u>	<u>\$ 1</u>	<u>\$ 32,502</u>	<u>\$ 14,829</u>	<u>\$ 4,739</u>	<u>\$ 78</u>

CITY OF BICKNELL  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	Stormwater Grant	NSP3 Grant	Safe Routes to School Sidewalk Project	Sign Replacement Grant	Downtown Revitalization Grant	Donations
Cash and investments - beginning	\$ (35)	\$ 271,365	\$ (11,675)	\$ (8,804)	\$ (6,249)	\$ 71,227
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	12,592	82
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	35	1,629,055	20,196	28,390	49,054	3,580
Total receipts	<u>35</u>	<u>1,629,055</u>	<u>20,196</u>	<u>28,390</u>	<u>61,646</u>	<u>3,662</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	1,674,116	8,521	28,987	55,397	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	1,000
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	64,299
Total disbursements	<u>-</u>	<u>1,674,116</u>	<u>8,521</u>	<u>28,987</u>	<u>55,397</u>	<u>65,299</u>
Excess (deficiency) of receipts over disbursements	<u>35</u>	<u>(45,061)</u>	<u>11,675</u>	<u>(597)</u>	<u>6,249</u>	<u>(61,637)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 226,304</u>	<u>\$ -</u>	<u>\$ (9,401)</u>	<u>\$ -</u>	<u>\$ 9,590</u>

CITY OF BICKNELL  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	Fire Donation	Park Donation	Community Services	Sanitation-Street	Sanit-Tip	Industry-Clinic
Cash and investments - beginning	\$ 39,271	\$ 6,578	\$ 175	\$ 59,674	\$ 18,255	\$ 38,138
Receipts:						
Taxes	-	-	-	77,315	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	1,760	-	-
Charges for services	3,100	360	-	-	68,695	3,650
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	5,523	550	-	189	4,180	25,246
Total receipts	8,623	910	-	79,264	72,875	28,896
Disbursements:						
Personal services	-	-	-	82,568	-	-
Supplies	13,485	1,832	-	914	48,668	-
Other services and charges	498	222	-	10,138	7,934	2,142
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	10,000	137	-	-	-	37,015
Total disbursements	23,983	2,191	-	93,620	56,602	39,157
Excess (deficiency) of receipts over disbursements	(15,360)	(1,281)	-	(14,356)	16,273	(10,261)
Cash and investments - ending	\$ 23,911	\$ 5,297	\$ 175	\$ 45,318	\$ 34,528	\$ 27,877

CITY OF BICKNELL  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	Judicial	Golfcart Fund	Debt Service - Other	Capital Improvements	Park-Rink	Payroll
Cash and investments - beginning	\$ 2,277	\$ 1,800	\$ 1,120	\$ 17,600	\$ 4,204	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	7,825	-	-
Charges for services	-	750	-	-	1,300	-
Fines and forfeits	1,833	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	840,123
Total receipts	1,833	750	-	7,825	1,300	840,123
Disbursements:						
Personal services	-	-	-	-	-	840,123
Supplies	1,388	-	-	-	-	-
Other services and charges	-	-	-	-	2,870	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	8,950	15	-
Total disbursements	1,388	-	-	8,950	2,885	840,123
Excess (deficiency) of receipts over disbursements	445	750	-	(1,125)	(1,585)	-
Cash and investments - ending	\$ 2,722	\$ 2,550	\$ 1,120	\$ 16,475	\$ 2,619	\$ -

CITY OF BICKNELL  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	Payroll Withholding-Oasi	Park Donation Trust	Wastewater Utility-Operating	Wastewater Utility-Deprec/Improve	Wastewater Utility-Customer Deposit	Water Debt Service Reserve Money Market
Cash and investments - beginning	\$ 3,142	\$ 6,729	\$ 106,863	\$ 507,986	\$ 39,884	\$ 61,012
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	793,892	-	10,250	-
Other receipts	168,407	-	816	189,460	58	16
Total receipts	<u>168,407</u>	<u>-</u>	<u>794,708</u>	<u>189,460</u>	<u>10,308</u>	<u>16</u>
Disbursements:						
Personal services	-	-	185,378	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	8,887	-	-	-
Debt service - principal and interest	-	-	329,640	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	160,340	285,632	-	-
Other disbursements	169,030	-	118,122	56,800	8,844	-
Total disbursements	<u>169,030</u>	<u>-</u>	<u>802,367</u>	<u>342,432</u>	<u>8,844</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(623)</u>	<u>-</u>	<u>(7,659)</u>	<u>(152,972)</u>	<u>1,464</u>	<u>16</u>
Cash and investments - ending	<u>\$ 2,519</u>	<u>\$ 6,729</u>	<u>\$ 99,204</u>	<u>\$ 355,014</u>	<u>\$ 41,348</u>	<u>\$ 61,028</u>

CITY OF BICKNELL  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility-Depreciation/Improve	Water Utility-Customer Deposit	COURT	Totals
Cash and investments - beginning	\$ 91,793	\$ 2,475	\$ 147,646	\$ 33,317	\$ 9,398	\$ 1,755,393
Receipts:						
Taxes	-	-	-	-	-	765,585
Licenses and permits	-	-	-	-	-	11,254
Intergovernmental	-	-	-	-	-	341,127
Charges for services	-	-	-	-	-	101,555
Fines and forfeits	-	-	-	-	56,850	84,472
Utility fees	595,235	-	-	5,694	-	1,405,071
Other receipts	<u>50,392</u>	<u>91,203</u>	<u>170,943</u>	<u>36</u>	<u>-</u>	<u>3,502,281</u>
Total receipts	<u>645,627</u>	<u>91,203</u>	<u>170,943</u>	<u>5,730</u>	<u>56,850</u>	<u>6,211,345</u>
Disbursements:						
Personal services	137,990	-	-	-	-	1,717,370
Supplies	-	-	-	-	-	105,197
Other services and charges	9,077	-	-	-	-	2,076,121
Debt service - principal and interest	-	90,860	-	-	-	420,500
Capital outlay	8,210	-	18,657	-	-	31,107
Utility operating expenses	159,470	-	6,460	-	-	611,902
Other disbursements	<u>332,272</u>	<u>-</u>	<u>21,076</u>	<u>5,109</u>	<u>61,428</u>	<u>1,119,208</u>
Total disbursements	<u>647,019</u>	<u>90,860</u>	<u>46,193</u>	<u>5,109</u>	<u>61,428</u>	<u>6,081,405</u>
Excess (deficiency) of receipts over disbursements	<u>(1,392)</u>	<u>343</u>	<u>124,750</u>	<u>621</u>	<u>(4,578)</u>	<u>129,940</u>
Cash and investments - ending	<u>\$ 90,401</u>	<u>\$ 2,818</u>	<u>\$ 272,396</u>	<u>\$ 33,938</u>	<u>\$ 4,820</u>	<u>\$ 1,885,333</u>

CITY OF BICKNELL  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2013

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 32,869	\$ 66,341
Water	37,901	46,960
Court	-	-
Governmental activities	<u>52,104</u>	<u>25,810</u>
Totals	<u>\$ 122,874</u>	<u>\$ 139,111</u>

CITY OF BICKNELL  
SCHEDULE OF LEASES AND DEBT  
December 31, 2013

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	\$ -	\$ -
Wastewater:			
Notes and loans payable	WASTEWATER TREATMENT PLANT	3,193,651	272,210
Water:			
Revenue bonds	WATERWORKS REFUNDING REVENUE BONDS OF 2012	550,000	95,070
Notes and loans payable	WATER PLANT	86,093	11,587
Total Water		636,093	106,657
Totals		\$ 3,829,744	\$ 378,867

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

***Report on Compliance for the 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, 2013. 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 the 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, 2013.

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

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-003. Our opinion on the major federal program is not modified with respect to these matters.

The City's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

**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 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.

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

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-002 to be material weaknesses.

The City's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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.

  
Paul D. Joyce, CPA  
State Examiner

October 9, 2014

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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

CITY OF BICKNELL  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>				
CDBG - State-Administered CDBG Cluster				
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii NSP3 Grant	IHCDA	14.228	NSP3-001-003	\$ 1,566,653
Total - CDBG - State-Administered CDBG Cluster				<u>1,566,653</u>
Total - Department of Housing and Urban Development				<u>1,566,653</u>
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster				
Highway Planning and Construction Sign Grant	INDOT	20.205	Des # 1005900	17,346
Safe Routes to School		20.205	Des # 1173671	20,196
Downtown Revitalization Grant		20.205	Des #1172765	<u>49,054</u>
Total - Highway Planning and Construction Cluster				<u>86,596</u>
Total - Department of Transportation				<u>86,596</u>
Total federal awards expended				<u>\$ 1,653,249</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 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.

CITY OF BICKNELL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Program:

\_\_\_\_\_ Name of Federal Program or Cluster \_\_\_\_\_

CDBG - State-Administered CDBG Cluster

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**

**FINDING 2013-001 - 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. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the City to reduce risks to the achievement of financial reporting objectives. The City has not separated incompatible activities related to utility billings and collections. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. Monitoring of Controls: Effective internal control over financial reporting requires the City Council and Board of Public Works to monitor and assess the quality of the City's system of internal control. The City Council and Board of Public Works have not performed either an

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

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.

3. 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 controls in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: program names were not always accurate or were incomplete; the Highway Planning and Construction Grant included state funds and was overstated by \$99,394.

Audit adjustments of \$99,394 were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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 in the Department of Health and Human Services.

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

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide 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 subrecipients 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."

***Section III - Federal Award Findings and Questioned Costs***

***FINDING 2013-002 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM***

Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/State's Program  
and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): NSP3-001-003

Pass-Through Entity: Indiana Housing and Community Development Authority

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Allowable Activities; Allowable Costs; Cash Management; Matching, Level of Effort and Earmarking; Period of Availability; Program Income; Reporting; and Special Tests and Provisions. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

The City entered into a contract with Myszak and Palmer, Inc. (Program Administrator), to provide program administration for the Neighborhood Stabilization Program (NSP3) grant. The City signed the required documents but did not monitor that the compliance requirements for the program were met. The City relied on Myszak and Palmer, Inc., to meet the federal compliance requirements of the program and did not perform any monitoring to ensure this occurred.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

***FINDING 2013-003 - CASH MANAGEMENT***

Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/State's Program  
and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): NSP3-001-003

Pass-Through Entity: Indiana Housing and Community Development Authority

The City entered into a contract with Myszak and Palmer, Inc. (Program Administrator), to provide program administration for the Neighborhood Stabilization Program (NSP3) grant. The Program Administrator was responsible, per the contract with the City, for disbursing grant funds to vendors performing services related to the program.

The Program Administrator compiled the invoices to be submitted for reimbursement and filed the reimbursement requests from the City's computer that had Indiana Housing and Community Development Authority's (IHCDA) software installed. The Clerk-Treasurer authorized and submitted the reimbursement requests to IHCDA. When the reimbursements were received, the City receipted them into a separate grant fund and then disbursed the reimbursement amounts to the Program Administrator within the required three business days. The Program Administrator was then required to disburse the grant funds within three business days to the vendors. The Program Administrator did not comply, in a few instances, with the requirement of disbursing the funds to a \$5,000 balance or less within three days of receiving the reimbursements from the City.

The Program Administrator maintained a Federal Cash Control Register documenting the transactions of the grant funds that were received and subsequently disbursed, but they did not provide a copy to the City. The City did not maintain a separate Federal Cash Control Register, but instead relied on the Program Administrator to do so.

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

The grant funds that the City remitted to the Program Administrator were not accounted for separately, but instead were comingled with other grant funds in the business bank account of the firm.

Indiana Housing and Community Development Authority Neighborhood Stabilization Program Manual, Chapter 12, Section II: Drawing Funds Process, paragraph H, states in part:

"NSP recipients may choose to either establish a separate fund within the general fund or establish a separate bank account for the NSP program. The bank account must be non-interest bearing."

"NSP recipients have three business days to disburse drawn funds from their local NSP account to a \$5,000 balance or less. The NSP recipient must begin counting the three days from the date it receives the NSP reimbursement check from IHCDA. Additionally, if the recipient disburses the NSP funds to a subrecipient or award administrator, they, in turn, must achieve a \$5,000 balance or less within three business days of receiving the funds.

If the recipient is unable to disburse the federal funds in a timely manner, the recipient must immediately return the funds to IHCDA."

Indiana Housing and Community Development Authority Neighborhood Stabilization Program Manual, Chapter 12, Section II: Drawing Funds Process, paragraph K, states in part:

"The Federal Cash Control Register must be used to record requests for claims submitted, checks received, disbursements, and the balance of federal cash on hand on both a daily and cumulative basis.

If you employ the services of an award administrator or subrecipient who makes payments with the NSP funds, this entity is also responsible for keeping a federal cash control register and is responsible for disbursing funds in the manner prescribed for the funding source."

Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City's management ensure compliance with the Cash Management requirements of the program.

AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the City. The document is presented as intended by the City.



**Bicknell Clerk-Treasurer's Office**

119 E. 2nd Street  
P.O. Box 127  
Bicknell, IN 47512  
(812)735-4636  
(812)735-5253  
bicknellct@yahoo.com

**CORRECTIVE ACTION PLAN**

October 09, 2014

**FINDING 2013-1- 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.

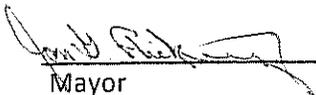
**Plan:**

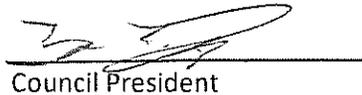
1. In 2014 the assistant clerk has started verifying utility bills, and collections on a monthly basis. This gives us internal control over the utility billing and collections.
2. We will work with the Council and Board of Works to make sure they have a good understanding of the City's financials.
3. We will review activities in place for the preparation of the Schedule of Federal Awards (SEFA). And will consult with office personnel that all grants are included in the report.

Respectfully,

*Rebecca McGlone*

Rebecca McGlone

  
Mayor

  
Council President

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# *City of Bicknell*

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Rebecca McGlone  
Clerk - Treasurer  
P.O. Box 127  
Bicknell, IN 47512  
(812) 735-4636 Office

## CORRECTIVE ACTION PLAN

October 9, 2014

FINDING 2013-002 – INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM

Auditee Contact Person: Rebecca McGlone

Title of Contact Person: Clerk-Treasurer

Phone Number of Contact Person: 812-735-4636

Date of Completion : As information is made available, and at annual report time.

Plan:

We are going to monitor all program administrators to ensure they comply with the requirements of the federal grants.

Respectfully,

*Rebecca McGlone*

Rebecca McGlone

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# City of Bicknell

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Rebecca McGlone  
Clerk - Treasurer  
P.O. Box 127  
Bicknell, IN 47512  
(812) 735-4636 Office  
CORRECTIVE ACTION PLAN

October 9, 2014

## FINDING 2013-003 – CASH MANAGEMENT

Auditee Contact Person: Rebecca McGlone

Title of Contact Person: Clerk-Treasurer

Phone Number of Contact Person: 812-735-4636

Date of Completion : As information is made available, and at annual report time.

### Plan:

1. We will require all program administrators to provide us with a federal cash control register to document the transactions of grant funds.
2. And we will develop procedures to ensure compliance requirements related to cash management are followed.

Respectfully,

*Rebecca McGlone*

Rebecca McGlone

#### OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the City. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.