

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

AUDIT REPORT

OF

TOWN OF BUNKER HILL

MIAMI COUNTY, INDIANA

January 1, 2007 to December 31, 2008



FILED
09/28/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Norman A. McBride	01-01-04 to 12-31-11
President of the Town Council	Leslie Briggs Shelly Dyer	01-01-07 to 12-31-08 01-01-09 to 12-31-09
Superintendent of Utilities	Stephen Whybrew	01-01-07 to 12-31-09



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

TO: THE OFFICIALS OF THE TOWN OF BUNKER HILL, MIAMI COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bunker Hill (Town), as of and for the years ended December 31, 2007 and 2008, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2007 and 2008, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated August 31, 2009, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

STATE BOARD OF ACCOUNTS

August 31, 2009



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

TO: THE OFFICIALS OF THE TOWN OF BUNKER HILL, MIAMI COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bunker Hill (Town), as of and for the years ended December 31, 2007 and 2008, which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 31, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2008-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2008-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

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

STATE BOARD OF ACCOUNTS

August 31, 2009

TOWN OF BUNKER HILL
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2007

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 149,967	\$ 135	\$ -	\$ -	\$ (149,832)	\$ -	\$ (149,832)
Public safety	59,320	1,114	-	-	(58,206)	-	(58,206)
Highways and streets	69,137	-	39,771	-	(29,366)	-	(29,366)
Sanitation	37,920	31,704	-	-	(6,216)	-	(6,216)
Economic development	24,304	-	16,149	-	(8,155)	-	(8,155)
Culture and recreation	6,245	-	-	-	(6,245)	-	(6,245)
Interest on long-term debt	9,000	-	-	-	(9,000)	-	(9,000)
Total governmental activities	<u>355,893</u>	<u>32,953</u>	<u>55,920</u>	<u>-</u>	<u>(267,020)</u>	<u>-</u>	<u>(267,020)</u>
Business-type activities:							
Water	179,496	175,588	-	-	-	(3,908)	(3,908)
Wastewater	207,620	223,192	-	20,500	-	36,072	36,072
Total business-type activities	<u>387,116</u>	<u>398,780</u>	<u>-</u>	<u>20,500</u>	<u>-</u>	<u>32,164</u>	<u>32,164</u>
Total primary government	<u>\$ 743,009</u>	<u>\$ 431,733</u>	<u>\$ 55,920</u>	<u>\$ 20,500</u>	<u>(267,020)</u>	<u>32,164</u>	<u>(234,856)</u>
General receipts:							
Property taxes					185,193	-	185,193
Other local sources					62,463	19,100	81,563
Bonds and loans					-	1,730,000	1,730,000
Grants and contributions not restricted to specific programs					48,581	-	48,581
Unrestricted investment earnings					1,954	31,297	33,251
Total general receipts					<u>298,191</u>	<u>1,780,397</u>	<u>2,078,588</u>
Change in net assets					31,171	1,812,561	1,843,732
Net assets - beginning					<u>153,245</u>	<u>224,013</u>	<u>377,258</u>
Net assets - ending					<u>\$ 184,416</u>	<u>\$ 2,036,574</u>	<u>\$ 2,220,990</u>
<u>Assets</u>							
Cash and investments					\$ 80,128	\$ 16,056	\$ 96,184
Restricted assets:							
Cash and investments					104,288	170,429	274,717
Cash with fiscal agent					-	1,850,089	1,850,089
Total assets					<u>\$ 184,416</u>	<u>\$ 2,036,574</u>	<u>\$ 2,220,990</u>
<u>Net Assets</u>							
Restricted for:							
Culture and recreation					\$ 5,337	\$ -	\$ 5,337
Public safety					4,007	-	4,007
Highways and streets					31,177	-	31,177
Economic development					8,758	-	8,758
Debt service					-	263,826	263,826
Other purposes					55,009	1,756,692	1,811,701
Unrestricted					<u>80,128</u>	<u>16,056</u>	<u>96,184</u>
Total net assets					<u>\$ 184,416</u>	<u>\$ 2,036,574</u>	<u>\$ 2,220,990</u>

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

TOWN OF BUNKER HILL
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	General	Motor Vehicle Highway	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 139,069	\$ 27,748	\$ 18,376	\$ 185,193
Licenses and permits	990	-	-	990
Intergovernmental	34,313	35,419	34,770	104,502
Charges for services	40,087	-	-	40,087
Fines and forfeits	30,031	-	21,916	51,947
Other	4,321	-	24	4,345
	<u>248,811</u>	<u>63,167</u>	<u>75,086</u>	<u>387,064</u>
Total receipts				
Disbursements:				
General government	131,001	-	18,966	149,967
Public safety	43,240	3,669	12,411	59,320
Highways and streets	-	69,137	-	69,137
Sanitation	37,920	-	-	37,920
Culture and recreation	-	-	6,245	6,245
Economic development	24,304	-	-	24,304
Debt service:				
Principal	-	-	8,732	8,732
Interest	-	-	268	268
	<u>236,465</u>	<u>72,806</u>	<u>46,622</u>	<u>355,893</u>
Total disbursements				
Excess (deficiency) of receipts over disbursements	<u>12,346</u>	<u>(9,639)</u>	<u>28,464</u>	<u>31,171</u>
Other financing sources (uses):				
Transfers in	7,680	1,635	1,601	10,916
Transfers out	-	-	(10,916)	(10,916)
	<u>7,680</u>	<u>1,635</u>	<u>(9,315)</u>	<u>-</u>
Total other financing sources (uses)				
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	20,026	(8,004)	19,149	31,171
Cash and investment fund balance - beginning	<u>60,102</u>	<u>39,181</u>	<u>53,962</u>	<u>153,245</u>
Cash and investment fund balance - ending	<u>\$ 80,128</u>	<u>\$ 31,177</u>	<u>\$ 73,111</u>	<u>\$ 184,416</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 80,128	\$ -	\$ -	\$ 80,128
Restricted assets:				
Cash and investments	-	31,177	73,111	104,288
Total cash and investment assets - December 31	<u>\$ 80,128</u>	<u>\$ 31,177</u>	<u>\$ 73,111</u>	<u>\$ 184,416</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Culture and recreation	\$ -	\$ -	\$ 5,337	\$ 5,337
Public safety	-	-	4,007	4,007
Highways and streets	-	31,177	-	31,177
Economic development	-	-	8,758	8,758
Other purposes	-	-	55,009	55,009
Unrestricted	<u>80,128</u>	<u>-</u>	<u>-</u>	<u>80,128</u>
Total cash and investment fund balance - December 31	<u>\$ 80,128</u>	<u>\$ 31,177</u>	<u>\$ 73,111</u>	<u>\$ 184,416</u>

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

TOWN OF BUNKER HILL
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For The Year Ended December 31, 2007

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Metered water receipts:			
Residential	\$ 169,917	\$ 212,721	\$ 382,638
Commercial	2,906	3,494	6,400
Industrial	1,558	2,203	3,761
Penalties	1,207	4,774	5,981
Other water receipts	3,860	2,775	6,635
Other	-	12,465	12,465
	<u>179,448</u>	<u>238,432</u>	<u>417,880</u>
Total operating receipts			
Operating disbursements:			
Equipment and capital improvements	-	55,475	55,475
Customer accounts	3,677	3,035	6,712
Sales disbursements	12,479	-	12,479
Insurance claims and premiums	4,842	4,842	9,684
Other	5,061	2,050	7,111
Salaries and wages	38,239	34,333	72,572
Purchased power	9,630	17,934	27,564
Chemicals	4,398	979	5,377
Material and supplies	6,887	6,775	13,662
Contractual services	4,591	14,830	19,421
Testing	1,095	102	1,197
Miscellaneous disbursements	1,417	7,025	8,442
	<u>92,316</u>	<u>147,380</u>	<u>239,696</u>
Total operating disbursements			
Excess of operating receipts over operating disbursements	<u>87,132</u>	<u>91,052</u>	<u>178,184</u>
Nonoperating receipts (disbursements):			
Bond proceeds	-	1,730,000	1,730,000
Interest and investment receipts	1,163	30,134	31,297
Debt service of principal	(40,000)	(55,667)	(95,667)
Interest and investment disbursement	(47,180)	(4,573)	(51,753)
	<u>(86,017)</u>	<u>1,699,894</u>	<u>1,613,877</u>
Total nonoperating receipts (disbursements)			
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	1,115	1,790,946	1,792,061
Capital contributions	-	20,500	20,500
Transfers in	97,380	162,500	259,880
Transfers out	(97,380)	(162,500)	(259,880)
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	1,115	1,811,446	1,812,561
Cash and investment fund balance - beginning	<u>99,092</u>	<u>124,921</u>	<u>224,013</u>
Cash and investment fund balance - ending	<u>\$ 100,207</u>	<u>\$ 1,936,367</u>	<u>\$ 2,036,574</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 119	\$ 15,937	\$ 16,056
Restricted assets:			
Cash and investments	100,088	70,341	170,429
Cash with fiscal agent	-	1,850,089	1,850,089
Total cash and investment assets - December 31	<u>\$ 100,207</u>	<u>\$ 1,936,367</u>	<u>\$ 2,036,574</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 88,077	\$ 175,749	\$ 263,826
Other purposes	12,011	1,744,681	1,756,692
Unrestricted	119	15,937	16,056
Total cash and investment fund balance - December 31	<u>\$ 100,207</u>	<u>\$ 1,936,367</u>	<u>\$ 2,036,574</u>

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

TOWN OF BUNKER HILL
STATEMENT OF CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2007

	<u>Agency Funds</u>
Cash and investment fund balance - ending	<u>\$ 12,717</u>

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

TOWN OF BUNKER HILL
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2008

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 178,887	\$ 159	\$ -	\$ -	\$ (178,728)	\$ -	\$ (178,728)
Public safety	91,433	1,717	-	-	(89,716)	-	(89,716)
Highways and streets	83,706	-	30,625	-	(53,081)	-	(53,081)
Sanitation	46,179	31,199	-	-	(14,980)	-	(14,980)
Economic development	21,656	-	16,590	-	(5,066)	-	(5,066)
Culture and recreation	11,189	-	-	-	(11,189)	-	(11,189)
Interest on long-term debt	2,743	-	-	-	(2,743)	-	(2,743)
Total governmental activities	435,793	33,075	47,215	-	(355,503)	-	(355,503)
Business-type activities:							
Water	176,362	163,416	-	-	-	(12,946)	(12,946)
Wastewater	1,593,156	211,393	-	484,477	-	(897,286)	(897,286)
Total business-type activities	1,769,518	374,809	-	484,477	-	(910,232)	(910,232)
Total primary government	\$ 2,205,311	\$ 407,884	\$ 47,215	\$ 484,477	(355,503)	(910,232)	(1,265,735)
General receipts:							
Property taxes					292,508	-	292,508
Other local sources					103,354	7,636	110,990
Bonds and loans					14,172	-	14,172
Grants and contributions not restricted to specific programs					45,261	-	45,261
Unrestricted investment earnings					2,182	31,927	34,109
Total general receipts					457,477	39,563	497,040
Change in net assets					101,974	(870,669)	(768,695)
Net assets - beginning					184,416	2,036,574	2,220,990
Net assets - ending					\$ 286,390	\$ 1,165,905	\$ 1,452,295
<u>Assets</u>							
Cash and investments					\$ 118,227	\$ 346	\$ 118,573
Restricted assets:							
Cash and investments					168,163	123,216	291,379
Cash with fiscal agent					-	1,042,343	1,042,343
Total assets					\$ 286,390	\$ 1,165,905	\$ 1,452,295
<u>Net Assets</u>							
Restricted for:							
Culture and recreation					\$ 7,537	\$ -	\$ 7,537
Public safety					8,409	-	8,409
Highways and streets					62,579	-	62,579
Economic development					18,894	-	18,894
Debt service					-	261,906	261,906
Other purposes					70,744	903,653	974,397
Unrestricted					118,227	346	118,573
Total net assets					\$ 286,390	\$ 1,165,905	\$ 1,452,295

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

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

	General	Motor Vehicle Highway	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 174,859	\$ 85,318	\$ 32,331	\$ 292,508
Licenses and permits	1,681	-	-	1,681
Intergovernmental	29,897	26,575	25,635	82,107
Charges for services	41,458	-	-	41,458
Fines and forfeits	48,215	-	34,024	82,239
Other	22,768	798	36	23,602
Total receipts	318,878	112,691	92,026	523,595
Disbursements:				
General government	156,752	-	22,135	178,887
Public safety	70,364	3,577	17,492	91,433
Highways and streets	-	79,706	4,000	83,706
Sanitation	46,179	-	-	46,179
Culture and recreation	-	-	11,189	11,189
Economic development	21,656	-	-	21,656
Debt service:				
Principal	-	-	2,668	2,668
Interest	-	-	75	75
Total disbursements	294,951	83,283	57,559	435,793
Excess of receipts over disbursements	23,927	29,408	34,467	87,802
Other financing sources (uses):				
Transfers in	-	-	1,800	1,800
Transfers out	-	-	(1,800)	(1,800)
Other receipts	14,172	-	-	14,172
Total other financing sources	14,172	-	-	14,172
Excess of receipts and other financing sources over disbursements and other financing uses	38,099	29,408	34,467	101,974
Cash and investment fund balance - beginning	80,128	31,177	73,111	184,416
Cash and investment fund balance - ending	<u>\$ 118,227</u>	<u>\$ 60,585</u>	<u>\$ 107,578</u>	<u>\$ 286,390</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 118,227	\$ -	\$ -	\$ 118,227
Restricted assets:				
Cash and investments	-	60,585	107,578	168,163
Total cash and investment assets - December 31	<u>\$ 118,227</u>	<u>\$ 60,585</u>	<u>\$ 107,578</u>	<u>\$ 286,390</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Culture and recreation	\$ -	\$ -	\$ 7,537	\$ 7,537
Public safety	-	-	8,409	8,409
Highways and streets	-	60,585	1,994	62,579
Economic development	-	-	18,894	18,894
Other purposes	-	-	70,744	70,744
Unrestricted	118,227	-	-	118,227
Total cash and investment fund balance - December 31	<u>\$ 118,227</u>	<u>\$ 60,585</u>	<u>\$ 107,578</u>	<u>\$ 286,390</u>

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

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

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Metered water receipts:			
Residential	\$ 157,635	\$ 200,026	\$ 357,661
Commercial	2,864	3,539	6,403
Industrial	1,672	2,418	4,090
Penalties	1,245	5,410	6,655
Other water revenue	3,100	2,245	5,345
Other	<u>1,631</u>	<u>660</u>	<u>2,291</u>
Total operating receipts	<u>168,147</u>	<u>214,298</u>	<u>382,445</u>
Operating disbursements:			
Equipment and capital improvements	-	1,336,994	1,336,994
Customer accounts	5,012	4,048	9,060
Sales disbursements	13,081	-	13,081
Other	5,612	13,876	19,488
Salaries and wages	31,937	33,150	65,087
Purchased power	11,129	28,311	39,440
Sludge removal	-	1,731	1,731
Chemicals	3,147	1,613	4,760
Material and supplies	5,348	7,477	12,825
Contractual services	10,290	18,368	28,658
Testing	1,107	1,164	2,271
Transportation disbursements	-	1,125	1,125
Miscellaneous disbursements	<u>4,209</u>	<u>3,806</u>	<u>8,015</u>
Total operating disbursements	<u>90,872</u>	<u>1,451,663</u>	<u>1,542,535</u>
Excess (deficiency) of operating receipts over operating disbursements	<u>77,275</u>	<u>(1,237,365)</u>	<u>(1,160,090)</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	1,045	30,882	31,927
Debt service of principal	(40,000)	(59,173)	(99,173)
Interest and investment disbursement	<u>(45,490)</u>	<u>(82,320)</u>	<u>(127,810)</u>
Total nonoperating disbursements	<u>(84,445)</u>	<u>(110,611)</u>	<u>(195,056)</u>
Deficiency of receipts over disbursements and nonoperating disbursements	(7,170)	(1,347,976)	(1,355,146)
Capital contributions	-	484,477	484,477
Transfers in	90,000	169,142	259,142
Transfers out	<u>(90,000)</u>	<u>(169,142)</u>	<u>(259,142)</u>
Deficiency of receipts, contributions and transfers in over disbursements and transfers out	(7,170)	(863,499)	(870,669)
Cash and investment fund balance - beginning	<u>100,207</u>	<u>1,936,367</u>	<u>2,036,574</u>
Cash and investment fund balance - ending	<u>\$ 93,037</u>	<u>\$ 1,072,868</u>	<u>\$ 1,165,905</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 244	\$ 102	\$ 346
Restricted assets:			
Cash and investments	92,793	30,423	123,216
Cash with fiscal agent	<u>-</u>	<u>1,042,343</u>	<u>1,042,343</u>
Total cash and investment assets - December 31	<u>\$ 93,037</u>	<u>\$ 1,072,868</u>	<u>\$ 1,165,905</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 81,587	\$ 180,319	\$ 261,906
Other purposes	11,206	892,447	903,653
Unrestricted	<u>244</u>	<u>102</u>	<u>346</u>
Total cash and investment fund balance - December 31	<u>\$ 93,037</u>	<u>\$ 1,072,868</u>	<u>\$ 1,165,905</u>

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

TOWN OF BUNKER HILL
STATEMENT OF CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2008

	<u>Agency Funds</u>
Cash and investment fund balance - ending	<u>\$ (1,895)</u>

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

TOWN OF BUNKER HILL
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Council-Mayor Town Council form of government and provides 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, (electric), (gas), (water), (wastewater), and urban redevelopment (and housing).

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

Primary Government: Town of Bunker Hill

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

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

The motor vehicle highway accounts for the operation and maintenance of the City's streets.

The Town reports the following major proprietary funds:

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

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

TOWN OF BUNKER HILL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additionally, the Town reports the following fund type:

Agency funds account for assets held by the Town as an agent for various taxing authorities and employee benefit providers.

C. Measurement Focus and Basis of Accounting

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

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

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

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

TOWN OF BUNKER HILL
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

3. Capital Assets

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

4. Long-Term Debt

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

5. Equity Classification

Government-Wide Statements

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

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

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

Fund Financial Statements

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

TOWN OF BUNKER HILL
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

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

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

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

Government-Wide Financial Statements

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

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

TOWN OF BUNKER HILL
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

B. Disbursements in Excess of Appropriations

For the years ended December 31, 2007 and 2008, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2007	2008
Riverboat	\$ 1,446	\$ 4,692
User Fee	6,032	-
Totals	\$ 7,478	\$ 4,692

These disbursements were funded by available fund balances.

C. Cash and Investment Balance Deficits

At December 31, 2008, the following fund reported a deficit in cash and investments, which is a violation of the Uniform Compliance Guidelines and state statute:

Fund	2007	2008
Payroll	\$ -	\$ 11,370

TOWN OF BUNKER HILL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the failure make timely payroll transfers from the utility funds. These deficits are to be repaid from future utility transfers.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Town does not have a deposit policy for custodial credit risk. At December 31, 2008, the Town had deposit balances in the amount of \$1,450,400. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Statutory Authorization for Investments

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

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Town and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the Town may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the Town's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or

TOWN OF BUNKER HILL
NOTES TO FINANCIAL STATEMENTS
(Continued)

guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Town does not have a formal investment policy for custodial credit risk for investments.

The Town held no investments that were exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town must follow state statute and limit the stated final maturities of the investments to no more than two years. The Town does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below. The Town does not have a formal investment policy for credit risk for investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

The Town held no investments that were exposed to concentration of credit risk.

Foreign Currency Risk

The Town does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2007 and 2008, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2007</u>	<u>2008</u>
Other governmental funds	General Fund	\$ 7,680	\$ -
Other governmental funds	Other governmental funds	<u>3,236</u>	<u>1,800</u>
Totals		<u>\$ 10,916</u>	<u>\$ 1,800</u>

TOWN OF BUNKER HILL
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Town typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

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

B. Contingent Liabilities

The Town is a defendant in a lawsuit filed by Burgess and Niple, Inc., for nonpayment under a contract for engineering services related to the 2007 wastewater treatment plant project in the amount of \$70,000. The Town alleges nonperformance under the contract.

C. Rate Structure – Enterprise Funds

Water Utility

On May 8, 1991, the Town Council adopted an ordinance to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on December 9, 2008.

Wastewater Utility

The current rate structure was approved by the Town Council on December 9, 2008.

D. Pension Plan

Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer

TOWN OF BUNKER HILL
NOTES TO FINANCIAL STATEMENTS
(Continued)

contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Town's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the Town and the Utilities is not available.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ -
Interest on net pension obligation	188
Adjustment to annual required contribution	(215)
	(27)
Annual pension cost	(27)
Contributions made	1,364
	(1,391)
Decrease in net pension obligation	(1,391)
Net pension obligation, beginning of year	2,599
	2,599
Net pension obligation, end of year	\$ 1,208
	1,208

TOWN OF BUNKER HILL
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>PERF</u>
Contribution rates:	
Town	5.5%
Plan members	3%
Actuarial valuation date	07-01-08
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

<u>Actuarial Assumptions</u>	<u>PERF</u>
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	<u>Year</u>	<u>Annual</u>	<u>Percentage</u>	<u>Net</u>
	<u>Ending</u>	<u>Pension Cost</u>	<u>of APC</u>	<u>Pension</u>
		<u>(APC)</u>	<u>Contributed</u>	<u>Obligation</u>
PERF	06-30-06	\$ 3,164	121%	\$ 3,650
	06-30-07	551	291%	2,599
	06-30-08	(27)	(5,052%)	1,208

TOWN OF BUNKER HILL
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 139,650	\$ 105,745	\$ 33,905	132%	\$ 46,029	74%
07-01-07	156,482	133,163	23,319	118%	30,549	76%
07-01-08	169,403	140,720	28,683	120%	34,065	84%

TOWN OF BUNKER HILL
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007

	Local Road and Street	Parks and Recreation	Riverboat	Rainy Day	Clerk's Record Perpetuation	Cumulative Capital Improvement	County Economic Development Income Tax
Receipts:							
Taxes	\$ -	\$ 6,072	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	4,496	20	6,224	4,386	-	3,467	16,149
Fines and forfeits	-	-	-	-	2,608	-	-
Other	-	-	-	-	-	-	-
Total receipts	4,496	6,092	6,224	4,386	2,608	3,467	16,149
Disbursements:							
General government	-	-	-	-	2,934	-	-
Public safety	-	-	-	-	-	-	-
Culture and recreation	-	6,245	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	8,732
Interest	-	-	-	-	-	-	268
Total disbursements	-	6,245	-	-	2,934	-	9,000
Excess (deficiency) of receipts over disbursements	4,496	(153)	6,224	4,386	(326)	3,467	7,149
Other financing sources (uses):							
Transfers in	1,446	69	-	-	-	-	-
Transfers out	-	-	(1,446)	-	-	(5,000)	-
Total other financing sources (uses)	1,446	69	(1,446)	-	-	(5,000)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,942	(84)	4,778	4,386	(326)	(1,533)	7,149
Cash and investment fund balance - beginning	(5,942)	5,421	-	191	10,025	5,833	1,609
Cash and investment fund balance - ending	\$ -	\$ 5,337	\$ 4,778	\$ 4,577	\$ 9,699	\$ 4,300	\$ 8,758
Cash and Investment Assets - December 31							
Restricted assets:							
Cash and investments	\$ -	\$ 5,337	\$ 4,778	\$ 4,577	\$ 9,699	\$ 4,300	\$ 8,758
Cash and Investment Fund Balance - December 31							
Restricted for:							
Culture and recreation	\$ -	\$ 5,337	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	8,758
Other purposes	-	-	4,778	4,577	9,699	4,300	-
Total cash and investment fund balance - December 31	\$ -	\$ 5,337	\$ 4,778	\$ 4,577	\$ 9,699	\$ 4,300	\$ 8,758

TOWN OF BUNKER HILL
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	<u>Levy Excess</u>	<u>Unsafe Building</u>	<u>Fire Protection</u>	<u>Equipment Replacement</u>	<u>User Fee</u>	<u>Totals</u>
Receipts:						
Taxes	\$ -	\$ -	\$ 12,304	\$ -	\$ -	\$ 18,376
Intergovernmental	-	-	28	-	-	34,770
Fines and forfeits	-	-	-	-	19,308	21,916
Other	-	-	-	-	24	24
Total receipts	-	-	12,332	-	19,332	75,086
Disbursements:						
General government	-	-	-	-	16,032	18,966
Public safety	-	-	12,411	-	-	12,411
Culture and recreation	-	-	-	-	-	6,245
Debt service:						
Principal	-	-	-	-	-	8,732
Interest	-	-	-	-	-	268
Total disbursements	-	-	12,411	-	16,032	46,622
Excess (deficiency) of receipts over disbursements	-	-	(79)	-	3,300	28,464
Other financing sources (uses):						
Transfers in	-	-	86	-	-	1,601
Transfers out	(4,470)	-	-	-	-	(10,916)
Total other financing sources (uses)	(4,470)	-	86	-	-	(9,315)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,470)	-	7	-	3,300	19,149
Cash and investment fund balance - beginning	10,215	4,000	-	3,000	19,610	53,962
Cash and investment fund balance - ending	<u>\$ 5,745</u>	<u>\$ 4,000</u>	<u>\$ 7</u>	<u>\$ 3,000</u>	<u>\$ 22,910</u>	<u>\$ 73,111</u>
<u>Cash and Investment Assets - December 31</u>						
Restricted assets:						
Cash and investments	<u>\$ 5,745</u>	<u>\$ 4,000</u>	<u>\$ 7</u>	<u>\$ 3,000</u>	<u>\$ 22,910</u>	<u>\$ 73,111</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,337
Public safety	-	4,000	7	-	-	4,007
Economic development	-	-	-	-	-	8,758
Other purposes	5,745	-	-	3,000	22,910	55,009
Total cash and investment fund balance - December 31	<u>\$ 5,745</u>	<u>\$ 4,000</u>	<u>\$ 7</u>	<u>\$ 3,000</u>	<u>\$ 22,910</u>	<u>\$ 73,111</u>

TOWN OF BUNKER HILL
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2007

	<u>Payroll</u>	<u>Town Court</u>	<u>Totals</u>
Additions:			
Agency fund additions	\$ 225,823	\$ 207,596	\$ 433,419
Deductions:			
Agency fund deductions	<u>206,507</u>	<u>206,102</u>	<u>412,609</u>
Excess of total additions over total deductions	19,316	1,494	20,810
Cash and investment fund balance - beginning	<u>(14,688)</u>	<u>6,595</u>	<u>(8,093)</u>
Cash and investment fund balance - ending	<u>\$ 4,628</u>	<u>\$ 8,089</u>	<u>\$ 12,717</u>

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

	Local Road and Street	Parks and Recreation	Riverboat	Rainy Day	Clerk's Record Perpetuation	Cumulative Capital Improvement	County Economic Development Income Tax
Receipts:							
Taxes	\$ -	\$ 13,365	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	4,194	24	-	1,581	-	3,210	16,590
Fines and forfeits	-	-	-	-	4,006	-	-
Other	-	-	-	-	-	-	-
Total receipts	4,194	13,389	-	1,581	4,006	3,210	16,590
Disbursements:							
General government	-	-	-	-	719	-	3,711
Public safety	-	-	2,892	-	-	-	-
Highways and streets	4,000	-	-	-	-	-	-
Culture and recreation	-	11,189	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	2,668
Interest	-	-	-	-	-	-	75
Total disbursements	4,000	11,189	2,892	-	719	-	6,454
Excess (deficiency) of receipts over disbursements	194	2,200	(2,892)	1,581	3,287	3,210	10,136
Other financing sources (uses):							
Transfers in	1,800	-	-	-	-	-	-
Transfers out	-	-	(1,800)	-	-	-	-
Total other financing sources (uses)	1,800	-	(1,800)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,994	2,200	(4,692)	1,581	3,287	3,210	10,136
Cash and investment fund balance - beginning	-	5,337	4,778	4,577	9,699	4,300	8,758
Cash and investment fund balance - ending	\$ 1,994	\$ 7,537	\$ 86	\$ 6,158	\$ 12,986	\$ 7,510	\$ 18,894
Cash and Investment Assets - December 31							
Restricted assets:							
Cash and investments	\$ 1,994	\$ 7,537	\$ 86	\$ 6,158	\$ 12,986	\$ 7,510	\$ 18,894
Cash and Investment Fund Balance - December 31							
Restricted for:							
Culture and recreation	\$ -	\$ 7,537	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-
Highways and streets	1,994	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	18,894
Other purposes	-	-	86	6,158	12,986	7,510	-
Total cash and investment fund balance - December 31	\$ 1,994	\$ 7,537	\$ 86	\$ 6,158	\$ 12,986	\$ 7,510	\$ 18,894

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

	Levy Excess	Unsafe Building	Fire Protection	Equipment Replacement	User Fee	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ 18,966	\$ -	\$ -	\$ 32,331
Intergovernmental	-	-	36	-	-	25,635
Fines and forfeits	-	-	-	-	30,018	34,024
Other	-	-	-	-	36	36
Total receipts	-	-	19,002	-	30,054	92,026
Disbursements:						
General government	-	-	-	-	17,705	22,135
Public safety	-	-	14,600	-	-	17,492
Highways and streets	-	-	-	-	-	4,000
Culture and recreation	-	-	-	-	-	11,189
Debt service:						
Principal	-	-	-	-	-	2,668
Interest	-	-	-	-	-	75
Total disbursements	-	-	14,600	-	17,705	57,559
Excess (deficiency) of receipts over disbursements	-	-	4,402	-	12,349	34,467
Other financing sources (uses):						
Transfers in	-	-	-	-	-	1,800
Transfers out	-	-	-	-	-	(1,800)
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	4,402	-	12,349	34,467
Cash and investment fund balance - beginning	5,745	4,000	7	3,000	22,910	73,111
Cash and investment fund balance - ending	\$ 5,745	\$ 4,000	\$ 4,409	\$ 3,000	\$ 35,259	\$ 107,578
Cash and Investment Assets - December 31						
Restricted assets:						
Cash and investments	\$ 5,745	\$ 4,000	\$ 4,409	\$ 3,000	\$ 35,259	\$ 107,578
Cash and Investment Fund Balance - December 31						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,537
Public safety	-	4,000	4,409	-	-	8,409
Highways and streets	-	-	-	-	-	1,994
Economic development	-	-	-	-	-	18,894
Other purposes	5,745	-	-	3,000	35,259	70,744
Total cash and investment fund balance - December 31	\$ 5,745	\$ 4,000	\$ 4,409	\$ 3,000	\$ 35,259	\$ 107,578

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

	<u>Payroll</u>	<u>Town Court</u>	<u>Totals</u>
Additions:			
Agency fund additions	\$ 217,666	\$ 345,731	\$ 563,397
Deductions:			
Agency fund deductions	<u>233,664</u>	<u>344,345</u>	<u>578,009</u>
Excess (deficiency) of total additions over total deductions	(15,998)	1,386	(14,612)
Cash and investment fund balance - beginning	<u>4,628</u>	<u>8,089</u>	<u>12,717</u>
Cash and investment fund balance - ending	<u><u>\$ (11,370)</u></u>	<u><u>\$ 9,475</u></u>	<u><u>\$ (1,895)</u></u>

TOWN OF BUNKER HILL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2008

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

<u>Primary Government</u>	<u>Ending Balance</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 6,851
Construction in progress	1,746,412
Buildings	56,780
Improvements other than buildings	708,299
Machinery and equipment	<u>162,089</u>
 Total Wastewater Utility capital assets	 <u>\$ 2,680,431</u>

TOWN OF BUNKER HILL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable	\$ 14,172	\$ 7,259
Business-type activities:		
Water Utility:		
Revenue bonds:		
2002 Waterworks Improvement	\$ 880,000	\$ 83,710
Wastewater Utility:		
Revenue bonds:		
1967 Wastewater Improvement	18,377	8,304
2005 Wastewater SRF Loan	265,000	17,686
2007 Wastewater SRF Loan	1,689,000	81,002
Total Wastewater Utility	1,972,377	106,992
Total business-type activities debt	\$ 2,852,377	\$ 190,702

TOWN OF BUNKER HILL
AUDIT RESULTS AND COMMENTS

ANNUAL REPORTS

Annual reports for 2007 and 2008 were not completed, published, or presented for audit. A similar comment was noted in the prior two audit reports.

IC 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

INTERNAL CONTROLS

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient:

- (1) Transactions are recorded and bank reconciliations are performed as much as six months in arrears.
- (2) Extensions in the Utility cash journals are incomplete and the journals are not cross footed to ensure accuracy.
- (3) There were no cumulative totals for the disbursement detail columns in the Utility journals.
- (4) The Clerk-Treasurer performs all functions of the office with assistance from a Utility Billing Clerk. There are no controls enforced by segregation of duties. The Town Council reviews and approves claims, but they do not provide any oversight or review of the accounting records in order to reduce risks.

The Town does not have enough employees to provide internal control through segregation of duties.

Without implementing sufficient internal controls, errors may occur and not be detected, and financial information, records, and reports may be misstated and unreliable.

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)

We recommended that the Town implement internal control procedures to ensure that records are timely and accurately posted and reconciled.

DEPOSITS

Receipts dating as far back as February 28, 2008, were deposited on July 6, 2009.

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

TOWN OF BUNKER HILL
AUDIT RESULTS AND COMMENTS
(Continued)

OVERDRAWN FUND BALANCES

The Payroll Fund was overdrawn by \$11,370 in 2008.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY RECEIPTS TAX

The Wastewater Utility paid Utility Receipts Tax of \$1,525.71 to the Indiana Department of Revenue during the audit period.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax pursuant to IC 6-2.3-4-3.

APPROPRIATIONS

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

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Riverboat	2007	\$ 1,446
User Fee	2007	6,032
Riverboat	2008	4,692

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

CAPITAL ASSET RECORDS

The Town and the Water Utility have not updated their capital asset records for 2007 and 2008.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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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
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE TOWN OF BUNKER HILL, MIAMI COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Bunker Hill (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2008. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2008.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

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

STATE BOARD OF ACCOUNTS

August 31, 2009

TOWN OF BUNKER HILL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2007 and 2008

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-07	Total Federal Awards Expended 12-31-08
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Indiana Office of Community and Rural Affairs				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228			
Wastewater Treatment Plant		CF-06-221	\$ 297,598	\$ 202,402
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Indiana Finance Authority				
Capitalization Grants for Clean Water State Revolving Funds	66.458			
Small Systems Technical Assistance			3,688	7,512
Wastewater Treatment Plant		WW05064201	24,047	-
Wastewater Treatment Plant		WW06405201	24,781	378,002
Total for federal grantor agency			<u>52,516</u>	<u>385,514</u>
Total federal awards expended			<u>\$ 350,114</u>	<u>\$ 587,916</u>

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

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

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of Towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF BUNKER HILL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grants/State's Program and Wastewater Treatment Plant and Non-Entitlement Grants in Hawaii

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

Auditee qualified as low-risk auditee? no

TOWN OF BUNKER HILL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings

FINDING 2008-1, INTERNAL CONTROLS OVER
FINANCIAL TRANSACTIONS AND REPORTING

We noted the following deficiency in the internal control system of the Town related to financial transactions and reporting. We believe this deficiency constitutes a material weakness:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, (utility billings and collections,) disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

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.

TOWN OF BUNKER HILL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF BUNKER HILL
280 WEST BROADWAY, P.O. BOX 565
BUNKER HILL, INDIANA 46914

765-689-8758

CORRECTIVE ACTION PLAN

August 31, 2009

To Whom It May Concern:

The Management of the Town of Bunker Hill has reviewed the Financial Statement Finding related to the 2007 and 2008 audit. We offer the following corrective action in regards to **FEDERAL FINDING 2008-1INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING:**

In regards to the lack of segregation of duties the Clerk-Treasurer's office has reviewed the office procedures currently in place and will attempt to institute duties that would involve, at least on a sample basis, reviews of the work performed by each office employee. However, due to the fact that the town is a very small governmental unit, management has determined that the cost associated with employing the additional staff necessary to properly segregate duties in the business office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current design of their business office.

Sincerely,



Norman McBride
Bunker Hill Clerk-Treasurer

TOWN OF BUNKER HILL
EXIT CONFERENCE

The contents of this report were discussed on August 31, 2009, with Norman A. McBride, Clerk-Treasurer. The official concurred with our audit findings.