

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

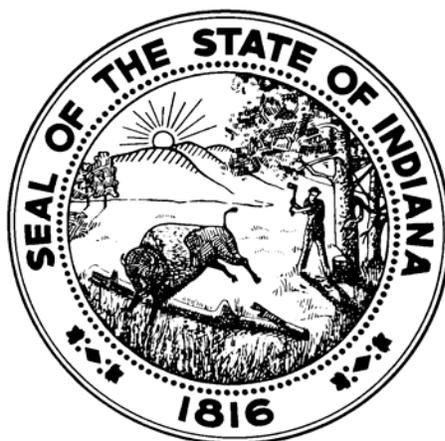
EXAMINATION REPORT

OF

TOWN OF KNIGHTSVILLE

CLAY COUNTY, INDIANA

January 1, 2006 to December 31, 2006



**FILED**  
11/15/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Charlotte Reyher	01-01-04 to 12-31-07
President of the Town Council	Steve Withers Michael Kester	01-01-06 to 12-31-06 01-01-07 to 12-31-07
Superintendent of Water Utility	Linda Minnick	01-01-06 to 12-31-07



**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](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF KNIGHTSVILLE, CLAY COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Knightsville (Town), for the period of January 1, 2006 to December 31, 2006. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

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

STATE BOARD OF ACCOUNTS

October 4, 2007

TOWN OF KNIGHTSVILLE  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES  
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
<b>Governmental Funds:</b>				
General	\$ 56,018	\$ 57,371	\$ 50,003	\$ 63,386
Motor Vehicle Highway	39,239	22,985	17,521	44,703
Local Road and Street	11,137	3,984	5,953	9,168
Law Enforcement Continuing Education	320	370	-	690
Riverboat	8,197	3,927	1,120	11,004
Rainy Day	2,677	-	-	2,677
Park Donation	5,563	5,000	2,163	8,400
Cumulative Capital Improvement	4,142	2,229	-	6,371
Cumulative Capital Development	5,237	4,471	717	8,991
Levy Excess	-	1,343	-	1,343
<b>Proprietary Funds:</b>				
Water Utility - Operating	49,067	134,661	127,108	56,620
Water Utility - Bond and Interest	931	-	-	931
Water Utility - Depreciation	13,286	4,000	4,508	12,778
Water Utility - Customer Deposit	5,858	375	165	6,068
<b>Totals</b>	<u>\$ 201,672</u>	<u>\$ 240,716</u>	<u>\$ 209,258</u>	<u>\$ 233,130</u>

The accompanying notes are an integral part of the financial information.

TOWN OF KNIGHTSVILLE  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (Indiana Code 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

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

State statute (Indiana Code 5-13-9) authorizes the Town 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.

TOWN OF KNIGHTSVILLE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

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.

General infrastructure assets completed in the current year has been reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Buildings	\$ 79,820
Machinery and equipment	<u>33,105</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 112,925</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Buildings	\$ 43,000
Improvements other than buildings	715,527
Machinery and equipment	<u>44,100</u>
Total Water Utility capital assets	<u>\$ 802,627</u>

TOWN OF KNIGHTSVILLE  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Debt	Ending Balance	Due Within One Year
Business-type Activities:		
Water Utility		
Note Payable:		
Water Distribution System Improvement	\$ 16,665	\$ 4,429

TOWN OF KNIGHTSVILLE  
EXAMINATION RESULT AND COMMENT

CUSTOMER DEPOSIT REGISTER - WATER UTILITY

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger. The detail shows \$1,957 more than the general ledger at December 31, 2006. Our test for 2006 indicated that the errors are from prior years. The Town was advised to make a transfer from the Operating Fund to the Customer Deposit Fund so that the detailed customer deposit register will agree with the Customer Deposit Fund.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF KNIGHTSVILLE  
EXIT CONFERENCE

The contents of this report were discussed on October 4, 2007, with Charlotte Reyher, Clerk-Treasurer.