

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

EXAMINATION REPORT
OF
TOWN OF KNIGHTSTOWN
HENRY COUNTY, INDIANA
January 1, 2007 to December 31, 2008



FILED
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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Judith Haines	10-01-06 to 12-31-11
President of the Town Council	David Glenn Valerie Trump Terry Guerin	01-01-07 to 12-31-07 01-01-08 to 12-31-09 01-01-10 to 12-31-10
Superintendent of Utilities	Melvin Matlock	01-01-07 to 12-31-10
Town Court Judge	Hayden Butler	01-01-04 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF KNIGHTSTOWN, HENRY COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Knightstown (Town), for the period of January 1, 2007 to December 31, 2008. 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 years ended December 31, 2007 and 2008, 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 a required part 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

January 13, 2010

TOWN OF KNIGHTSTOWN
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 87,117	\$ 759,275	\$ 776,303	\$ 70,089
Motor Vehicle Highway	17,698	60,791	100,764	(22,275)
Local Road and Street	31,512	35,924	58,464	8,972
Park and Recreation	35,367	51,244	45,110	41,501
Law Enforcement Aid Fund	626	-	626	-
Local Law Enforcement Block Grant	(226)	226	-	-
Law Enforcement Continuing Education	2,547	12,235	14,891	(109)
Police Reserve Unit Fund	(37)	77	-	40
Hoosier Gym Grant	18,684	-	1,037	17,647
Riverboat	9,823	13,545	12,020	11,348
Glen Cove Cemetery	(4,672)	83,387	117,276	(38,561)
Cumulative Capital Improvement	73,286	8,640	-	81,926
Cumulative Capital Development	141,554	18,676	-	160,230
Cumulative Fire Fighting Equipment	1,450	19	-	1,469
Cumulative Police Equipment	8,793	12,119	17,998	2,914
Firefighting Fund	(48,299)	-	6,976	(55,275)
Major Moves	14,737	14,587	-	29,324
Document Storage	(4,858)	14,579	13,661	(3,940)
Proprietary Funds:				
Water Utility - Operating	50,040	253,752	299,172	4,620
Water Utility - Bond and Interest	151,817	79,385	106,338	124,864
Water Utility - Depreciation	29,784	-	14,648	15,136
Water Utility - Customer Deposit	7,420	2,763	2,340	7,843
Water Utility - Sinking Fund	30,736	1,209	-	31,945
Water Utility - Debt Service Reserve	56,651	2,871	-	59,522
Water Utility - Revenue	-	240,464	240,464	-
Wastewater Utility - Operating	3,770	306,553	287,434	22,889
Wastewater Utility - Bond and Interest	39,010	168,000	166,990	40,020
Wastewater Utility - Depreciation	319,262	5,046	27,115	297,193
Wastewater Utility - Debt Service Reserve	227,965	2,932	-	230,897
Wastewater Utility - Construction	121,088	5,382	-	126,470
Wastewater Utility - Revenue	-	427,598	427,598	-
Electric Utility - Operating	84,422	1,946,301	1,851,187	179,536
Electric Utility - Cash Reserve	365,483	52,502	-	417,985
Electric Utility - Depreciation	139,898	161,349	76,884	224,363
Electric Utility - Customer Deposit	34,466	13,040	12,557	34,949
Fiduciary Funds:				
Claude Deem Cemetery	5,492	212	705	4,999
Glen Cove Cemetery Endowment	105,112	-	-	105,112
Glen Cove Cemetery BMI	(391)	391	-	-
Court Costs	21,625	73,711	73,711	21,625
County Law Enforcement Continuing Education Fund	44,135	4,224	-	48,359
Deferral Pretrial	5,226	15,690	15,690	5,226
Town Court	97,589	778,717	793,580	82,726
Payroll	(54,039)	1,018,488	1,004,802	(40,353)
Totals	\$ 2,271,663	\$ 6,645,904	\$ 6,566,341	\$ 2,351,226

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

TOWN OF KNIGHTSTOWN
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2007 And 2008
(Continued)

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 70,089	\$ 841,051	\$ 760,582	\$ 150,558
Motor Vehicle Highway	(22,275)	78,879	48,165	8,439
Local Road and Street	8,972	33,332	21,091	21,213
Park and Recreation	41,501	38,517	59,044	20,974
Law Enforcement Radio Grant	-	35,118	8,091	27,027
Operation Pullover	-	500	-	500
Law Enforcement Continuing Education	(109)	20,776	4,854	15,813
Police Reserve Unit Fund	40	465	-	505
Hoosier Gym Grant	17,647	23,721	25,914	15,454
Riverboat	11,348	2,390	12,025	1,713
Glen Cove Cemetery	(38,561)	118,106	115,458	(35,913)
Cumulative Capital Improvement	81,926	7,372	43,239	46,059
Cumulative Capital Development	160,230	95,462	100,000	155,692
Cumulative Fire Fighting Equipment	1,469	-	-	1,469
Cumulative Police Equipment	2,914	362	2,999	277
Firefighting Fund	(55,275)	64,671	59,171	(49,775)
Major Moves	29,324	-	29,324	-
Document Storage	(3,940)	11,372	12,199	(4,767)
Proprietary Funds:				
Water Utility - Operating	4,620	289,471	270,212	23,879
Water Utility - Bond and Interest	124,864	97,652	144,696	77,820
Water Utility - Depreciation	15,136	-	4,183	10,953
Water Utility - Customer Deposit	7,843	2,550	1,743	8,650
Water Utility - Sinking Fund	31,945	603	-	32,548
Water Utility - Debt Service Reserve	59,522	1,973	-	61,495
Water Utility - Revenue	-	268,167	268,167	-
Wastewater Utility - Operating	22,889	576,660	584,329	15,220
Wastewater Utility - Bond and Interest	40,020	169,200	167,978	41,242
Wastewater Utility - Depreciation	297,193	280,850	307,680	270,363
Wastewater Utility - Debt Service Reserve	230,897	222,899	219,565	234,231
Wastewater Utility - Construction	126,470	239,027	235,053	130,444
Wastewater Utility - Revenue	-	413,509	413,509	-
Electric Utility - Operating	179,536	2,378,022	2,325,017	232,541
Electric Utility - Cash Reserve	417,985	713,063	673,103	457,945
Electric Utility - Depreciation	224,363	133,296	65,135	292,524
Electric Utility - Customer Deposit	34,949	12,960	10,612	37,297
Fiduciary Funds:				
Claude Deem Cemetery	4,999	175	-	5,174
Glen Cove Cemetery Endowment	105,112	-	-	105,112
Court Costs	21,625	84,269	84,269	21,625
County Law Enforcement Continuing Education Fund	48,359	-	6,392	41,967
Deferral Pretrial	5,226	26,536	26,536	5,226
Town Court	82,726	953,752	943,941	92,537
Payroll	(40,353)	1,018,066	1,013,003	(35,290)
Totals	<u>\$ 2,351,226</u>	<u>\$ 9,254,794</u>	<u>\$ 9,067,279</u>	<u>\$ 2,538,741</u>

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

TOWN OF KNIGHTSTOWN
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; streets and roadways; cemetery; court and judicial; water, wastewater, and electric utilities; 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 (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the 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 (IC 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 KNIGHTSTOWN
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. 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 this 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 contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' 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. That report may be obtained by contacting:

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

Funding Policy and Annual Pension Cost

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

TOWN OF KNIGHTSTOWN
 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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 150,000
Infrastructure	55,000
Buildings	240,000
Machinery and equipment	<u>1,414,676</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 1,859,676</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 10,000
Buildings	204,451
Improvements other than buildings	40,000
Machinery and equipment	<u>931,259</u>
 Total Water Utility capital assets	 <u>1,185,710</u>

Wastewater Utility:	
Capital assets, not being depreciated:	
Land	50,000
Buildings	235,000
Machinery and equipment	<u>5,063,937</u>
 Total Wastewater Utility capital assets	 <u>5,348,937</u>

Electric Utility:	
Capital assets, not being depreciated:	
Land	65,716
Buildings	96,583
Machinery and equipment	<u>999,537</u>
 Total Electric Utility capital assets	 <u>1,161,836</u>

Total business-type activities capital assets	<u>\$ 7,696,483</u>
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TOWN OF KNIGHTSTOWN
 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
Business-type activities:		
Water Utility:		
Revenue bonds:		
Refunding of 1991 revenue bonds	\$ 297,000	\$ 58,565
Wastewater Utility:		
Revenue bonds:		
Refunding of 1996 revenue bonds	1,360,000	168,578
Total business-type activities debt	<u>\$ 1,657,000</u>	<u>\$ 227,143</u>

TOWN OF KNIGHTSTOWN
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES (Applies to Town)

The cash balance of the Motor Vehicle Highway Fund, Document Storage Fee Fund, Law Enforcement Continuing Education Fund, Glen Cove Cemetery Fund, Firefighting Fund, and Payroll Fund were overdrawn in 2007 and 2008.

The cash 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)

BANK ACCOUNT RECONCILIATIONS (Applies to Town Court)

As stated in the prior Report B31504, depository reconciliations of the fund balances to the bank account balances were not presented for examination.

IC 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Financial records of a city or town court shall be reconciled with the balance statements provided by the respective depository (or depositories) at least monthly. (Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

PRESCRIBED FORMS (Applies to Town Court)

The following prescribed forms or approved replacement forms were not always in use by the Knightstown Court for 2007 and 2008.

Form 213 CT, Court Cash Book
Form 219 CT, Court Daily/Monthly Balance Record
General Form 102, Register of Trust Funds

Each city and town court is required to use official records and forms that are designated by the legislature or prescribed or approved by the State Board of Accounts or the State Court Administration office of the Supreme Court. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)

TOWN OF KNIGHTSTOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

REMITTANCE OF HIGHWAY WORKZONE FEES (Applies to Town Court)

The Highway Workzone Fees collected by the Knightstown Court for the period December of 2006 through May of 2007 have not been remitted to the State of Indiana.

The town court clerk shall distribute the state and county share of court costs collected in accordance with IC 33-37-7-8. (Uniform and Compliance Guidelines Manual for City and Town Courts, Chapter 4)

IC 33-37-7-8 states: "The clerk of a city or town court shall distribute semiannually to the auditor of state . . . one hundred percent (100%) of the highway work zone fees collected . . ."

CUSTOMER DEPOSIT REGISTER (Applies to Electric and Water Utilities)

As stated in the prior Report B31504, the detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger.

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 COURT TRUST FUNDS (Applies to Town Court)

As stated in the prior Report B31504, the detail for the Court trust funds did not agree with trust balances as recorded in the cash book.

The total of all unpaid items as shown by the trust fund register must agree with the balance in trust as shown by the court cash book. (Accounting and Uniform Compliance Guidelines Manual for Cities and Town Courts, Chapter 1)

TOWN OF KNIGHTSTOWN
EXIT CONFERENCE

The contents of this report were discussed on January 13, 2010, with Judith Haines, Clerk-Treasurer; Stephen Nelson, Town Council member; Robert Weber, Town Council member; Hayden Butler, Town Court Judge; and Lisa Hall, Town Court Clerk. The officials concurred with our findings.