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

EXAMINATION REPORT

OF

CITY OF KNOX

STARKE COUNTY, INDIANA

January 1, 2009 to December 31, 2009



FILED
08/17/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jeffery J. Houston	01-01-08 to 12-31-11
Mayor	Rick Chambers	01-01-08 to 12-31-11
President of the City Council	Linda Berndt Edward Blue	01-01-09 to 12-31-09 01-01-10 to 12-31-10



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Knox (City), for the period of January 1, 2009 to December 31, 2009. The City'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 City for the year ended December 31, 2009, 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

May 17, 2010

CITY OF KNOX
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 726,611	\$ 1,022,857	\$ 1,466,920	\$ 282,548
Motor Vehicle Highway	116,030	259,618	274,465	101,183
Local Road and Street	31,673	17,246	19,282	29,637
Park and Recreation	89,454	192,760	89,654	192,560
Law Enforcement Continuing Education	662	3,525	2,139	2,048
Riverboat	52,280	23,286	15,503	60,063
County Economic Development Income Tax	832,562	326,998	779,039	380,521
Girl Scout Cabin Maintenance	1,272	2,943	3,236	979
Community Center Operation and Maintenance	3,339	50,583	52,857	1,065
Solid Waste Removal	5,335	158,211	147,268	16,278
Knox Economic Development Commission	43,924	4,740	40,330	8,334
Knox Redevelopment Commission	1,194	-	-	1,194
Police Equipment	2,023	1,262	1,002	2,283
Gateway Depot Operation and Maintenance	78	11,200	7,184	4,094
City Judge Pre-Trial Diversion	5,574	13,580	17,222	1,932
Clerk's Record Perpetuation	8,275	5,628	6,250	7,653
Lease Rental Payment	2,989	103,018	89,000	17,007
Fire Lease Payment	38,014	105,272	100,435	42,851
Cumulative Capital Improvement	20,871	11,410	15,000	17,281
Cumulative Capital Development	170,725	47,462	46,751	171,436
Cumulative Fire Fighting Equipment	90,930	24,458	11,694	103,694
Cumulative Sewer Treatment	145,299	53,753	6,496	192,556
Rainy Day	32,159	28,401	-	60,560
TIF District	6,128	112,279	58,861	59,546
Seizure Award	-	750	-	750
ARRA Federal Stimulus	-	17,000	17,000	-
Proprietary Funds:				
Water Utility - Operating	72,166	303,952	308,038	68,080
Water Utility - Bond and Interest	98,100	165,234	165,790	97,544
Water Utility - Debt Service Reserve	99,467	-	-	99,467
Water Utility - Customer Deposit	79,756	13,953	13,949	79,760
Water Utility - Improvement	107,440	9,480	-	116,920
Wastewater Utility - Operating	58,208	407,219	425,618	39,809
Wastewater Utility - Bond and Interest	53,470	126,125	130,903	48,692
Wastewater Utility - Debt Service Reserve	145,002	14,240	-	159,242
Wastewater Utility - Customer Deposit	30,340	12,003	12,908	29,435
Wastewater Utility - Improvement	122,248	-	7,962	114,286
Wastewater Utility - Construction Fund	-	2,329,249	1,617,425	711,824
Fiduciary Funds:				
City Court	250,306	756,162	744,524	261,944
Police Officers' Pension	32,374	128,662	53,749	107,287
Users Fees	67,837	151,147	129,359	89,625
Payroll	14,000	1,125,509	1,124,278	15,231
Totals	<u>\$ 3,658,115</u>	<u>\$ 8,141,175</u>	<u>\$ 8,002,091</u>	<u>\$ 3,797,199</u>

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

CITY OF KNOX
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

Note 2. Fund Accounting

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

CITY OF KNOX
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City 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 City 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.

CITY OF KNOX
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

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	\$ 196,758
Infrastructure	1,478,544
Buildings	4,551,525
Improvements other than buildings	368,751
Machinery and equipment	<u>1,890,669</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 8,486,247</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 41,689
Buildings	421,087
Improvements other than buildings	10,569,279
Machinery and equipment	<u>134,459</u>
Total Water Utility capital assets	<u>11,166,514</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	26,896
Buildings	3,564,782
Improvements other than buildings	17,894,819
Machinery and equipment	<u>1,052,856</u>
Total Wastewater Utility capital assets	<u>22,539,353</u>
Total business-type activities capital assets	<u>\$ 33,705,867</u>

CITY OF KNOX
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Knox Community Center	\$ 630,000	\$ 92,000
Fire Truck Loan	<u>68,818</u>	<u>70,149</u>
Total governmental activities debt	<u>\$ 698,818</u>	<u>\$ 162,149</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
1988 Water	\$ 1,137,000	\$ 93,850
2006 Water	<u>775,000</u>	<u>70,352</u>
Total Water Utility	<u>1,912,000</u>	<u>164,202</u>
Wastewater Utility:		
Revenue bonds:		
2009 Wastewater	<u>2,430,000</u>	<u>197,642</u>
Total business-type activities debt	<u>\$ 4,342,000</u>	<u>\$ 361,844</u>

CITY OF KNOX
EXIT CONFERENCE

The contents of this report were discussed on May 17, 2010, with Jeffery J. Houston, Clerk-Treasurer. Our examination disclosed no material items that warrant comment at this time.