

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT

OF

CITY OF KNOX

STARKE COUNTY, INDIANA

January 1, 2005 to December 31, 2005



FILED
7/31/06

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Raymond Walton	01-01-04 to 12-31-07
Mayor	Dennis Estok	01-01-04 to 12-31-07
President of the City Council	Abe Rowe Linda Berndt	01-01-05 to 12-31-05 01-01-06 to 12-31-06



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the schedule of receipts, disbursements, and cash and investment balances of the City of Knox (City), for the period of January 1, 2005 to December 31, 2005. The City's management is responsible for the schedule. 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 schedule of receipts, disbursements, and cash and investment balances 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 schedule referred to above presents fairly, in all material respects, the cash transactions of the City for the year ended December 31, 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

June 27, 2006

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, 2005

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 393,602	\$ 1,063,363	\$ 1,096,355	\$ 360,610
Motor Vehicle Highway	149,729	272,886	260,129	162,486
Local Road and Street	19,360	19,803	20,000	19,163
Park and Recreation	29,941	75,841	78,218	27,564
Law Enforcement Continuing Education	796	2,072	373	2,495
Riverboat	23,464	23,463	-	46,927
County Economic Development Income Tax	410,642	224,324	268,761	366,205
Girl Scout Cabin Maintenance	1,069	8,940	8,671	1,338
Community Center Operation and Maintenance	1,889	44,077	40,687	5,279
Solid Waste Removal	6,311	92,845	92,592	6,564
Knox Economic Development Commission	313,367	11,193	240,792	83,768
Knox Redevelopment Commission	194	3,792	2,792	1,194
Police Equipment	620	210	-	830
Gateway Depot Operation and Maintenance	5,867	6,100	8,322	3,645
Fern Viall Estate	2,689	-	-	2,689
Knox Civic Corporation	7,500	7,612	7,500	7,612
City Judge Pre-Trial	11,384	18,480	28,577	1,287
Work Release	2,165	-	-	2,165
Clerk's Record Perpetuation	6,239	2,504	8,736	7
Lease Rental Payment	38,774	137,486	94,000	82,260
Fire Lease Payment	-	98,347	91,053	7,294
Cumulative Capital Improvement	15,412	11,503	10,537	16,378
Cumulative Capital Development	94,536	48,997	18,083	125,450
Cumulative Fire Fighting Equipment	37,169	23,522	16,620	44,071
Cumulative Sewer Treatment	245,339	51,906	117,627	179,618
Proprietary Funds:				
Water Utility - Operating	88,830	282,645	331,763	39,712
Water Utility - Bond and Interest	27,350	94,800	93,900	28,250
Water Utility - Debt Reserve	94,750	2,547	1,417	95,880
Water Utility - Customer Deposit	60,739	13,775	9,914	64,600
Water Utility - Improvement	9,917	9,480	11,450	7,947
Wastewater Utility - Operating	66,217	307,060	316,827	56,450
Wastewater Utility - Bond and Interest	45,034	129,250	157,306	16,978
Wastewater Utility - Depreciation	139,774	-	-	139,774
Wastewater Utility - Customer Deposit	18,265	12,250	9,517	20,998
Wastewater Utility - Improvement	135,489	9,009	3,500	140,998
Fiduciary Funds:				
Police Officers' Pension	193,543	489,418	487,296	195,665
Firefighters' Pension	75,631	48,936	45,272	79,295
Users Fees	36,929	105,652	106,621	35,960
Payroll	11,807	909,535	908,460	12,882
Totals	<u>\$ 2,822,333</u>	<u>\$ 4,663,623</u>	<u>\$ 4,993,668</u>	<u>\$ 2,492,288</u>

The accompanying notes are an integral part of the schedules.

CITY OF KNOX
NOTES TO SCHEDULE

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 SCHEDULE
(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 gives 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.

Note 7. Long-Term Debt

The City has entered into various debts such as bonds for Water and Wastewater improvements, loans for Wastewater improvements and park equipment, and capital leases for a community building and a fire truck. The outstanding principal at December 31, 2005, was \$1,357,000, \$1,784,672 and \$1,135,469, respectively.

Note 8. Subsequent Event

A Waterworks improvement project is planned for 2006 to be funded with a \$500,000 community development block grant and an \$895,000 revenue bond issue.

CITY OF KNOX
EXAMINATION RESULT AND COMMENT

CONDITION OF RECORDS - CITY COURT

The following deficiencies, relating to the recordkeeping were present during our period of audit:

The subsidiary ledgers for Trust Funds and Cash Bonds did not agree with the totals in the Court Cash Book.

Included in the records of the court are trust and cash bonds over five years old that should be disbursed to the attorney general.

The total of unpaid items as indicated by the subsidiary ledgers must agree with the respective balances shown by the Court Cash Book. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 3)

All fees and funds five or more years old, including old outstanding checks, should be scheduled on forms provided by the Attorney General and paid over to him as required by Indiana Code 32-34-1-20(c)(5).

CITY OF KNOX
EXIT CONFERENCE

The contents of this report were discussed on June 27, 2006, with Raymond Walton, Clerk-Treasurer; and Dennis Estok, Mayor. The officials concurred with our finding.

The contents of this report were discussed on June 27, 2006, with Charles F. Hasnerl, City Judge; and Mary Kesvornas, City Court Clerk.