

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF KNIGHTSVILLE

CLAY COUNTY, INDIANA

January 1, 2009 to December 31, 2010



FILED
04/20/2012

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Charlotte Reyher Jason Walker (Vacant)	01-01-08 to 12-31-11 01-01-12 to 02-29-12 03-01-12 to 12-31-12
President of the Town Council	Charles M. Kester	01-01-09 to 12-31-12
Superintendent of Water Utility	Linda Minnick	01-01-09 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statements of the Town of Knightsville (Town), for the period of January 1, 2009 to December 31, 2010. The Town's management is responsible for the financial statements. 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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 financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town's management and the Town Council, and others within the entity, 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

March 1, 2012

FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

TOWN OF KNIGHTSVILLE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General	\$ 92,067	\$ 68,812	\$ 61,325	\$ 99,554
Motor Vehicle Highway	60,682	16,600	11,967	65,315
Local Road And Street	15,906	3,579	2,560	16,925
Law Enforcement Continuing Ed	539	474	126	887
Riverboat	15,522	3,906	1,969	17,459
Park Donation	15,850	12,107	1,046	26,911
Rainy Day	5,618	-	675	4,943
Levy Excess	-	728	-	728
CCD	6,589	3,472	79	9,982
CCI	7,655	1,914	2,160	7,409
Water Utility-Operating	40,287	226,656	216,826	50,117
Water Utility-Bond And Interest	931	-	-	931
Water Utility-Depreciation/Improve	12,676	13,750	9,208	17,218
Water Utility-Customer Deposit	6,635	595	325	6,905
Totals	<u>\$ 280,957</u>	<u>\$ 352,593</u>	<u>\$ 308,266</u>	<u>\$ 325,284</u>

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

TOWN OF KNIGHTSVILLE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 99,554	\$ 73,695	\$ 43,302	\$ 129,947
Motor Vehicle Highway	65,315	16,417	12,200	69,532
Local Road And Street	16,925	3,695	1,620	19,000
Law Enforcement Continuing Ed	887	200	400	687
Riverboat	17,459	3,904	3,753	17,610
Park Donation	26,911	-	200	26,711
Rainy Day	4,943	801	-	5,744
Levy Excess	728	126	728	126
LOIT-Public Safety	-	6,771	-	6,771
CCD	9,982	3,526	865	12,643
CCI	7,409	1,826	586	8,649
Water Utility-Operating	50,117	254,288	248,565	55,840
Water Utility-Bond And Interest	931	-	-	931
Water Utility-Depreciation/Improve	17,218	13,750	13,343	17,625
Water Utility-Customer Deposit	6,905	735	85	7,555
Totals	<u>\$ 325,284</u>	<u>\$ 379,734</u>	<u>\$ 325,647</u>	<u>\$ 379,371</u>

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

TOWN OF KNIGHTSVILLE
NOTES TO FINANCIAL STATEMENTS

Note 1. 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 Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, storm water, and urban redevelopment and housing.

The accompanying financial statements present the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF KNIGHTSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

TOWN OF KNIGHTSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF KNIGHTSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 4. *Deposits and Investments*

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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.

Note 5. *Risk Management*

The Town may be 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; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Reports can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the Town. It is presented as intended by the Town.

TOWN OF KNIGHTSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Riverboat	Park Donation	Rainy Day	Levy Excess
Cash and investments - beginning	\$ 92,067	\$ 60,682	\$ 15,906	\$ 539	\$ 15,522	\$ 15,850	\$ 5,618	\$ -
Receipts:								
Taxes	31,780	-	-	-	-	-	-	-
Licenses and permits	-	-	-	474	-	-	-	-
Intergovernmental	25,957	16,600	3,579	-	3,906	-	-	-
Charges for services	180	-	-	-	-	-	-	-
Fines and forfeits	1,226	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	9,669	-	-	-	-	12,107	-	728
Total receipts	<u>68,812</u>	<u>16,600</u>	<u>3,579</u>	<u>474</u>	<u>3,906</u>	<u>12,107</u>	<u>-</u>	<u>728</u>
Disbursements:								
Personal services	15,291	5,236	-	-	-	-	-	-
Supplies	7,834	-	-	-	-	-	-	-
Other services and charges	27,551	6,731	2,560	126	1,969	1,046	675	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	10,000	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	649	-	-	-	-	-	-	-
Total disbursements	<u>61,325</u>	<u>11,967</u>	<u>2,560</u>	<u>126</u>	<u>1,969</u>	<u>1,046</u>	<u>675</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>7,487</u>	<u>4,633</u>	<u>1,019</u>	<u>348</u>	<u>1,937</u>	<u>11,061</u>	<u>(675)</u>	<u>728</u>
Cash and investments - ending	<u>\$ 99,554</u>	<u>\$ 65,315</u>	<u>\$ 16,925</u>	<u>\$ 887</u>	<u>\$ 17,459</u>	<u>\$ 26,911</u>	<u>\$ 4,943</u>	<u>\$ 728</u>

TOWN OF KNIGHTSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	CCD	CCI	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility - Depreciation/ Improve	Water Utility-Customer Deposit	Totals
Cash and investments - beginning	\$ 6,589	\$ 7,655	\$ 40,287	\$ 931	\$ 12,676	\$ 6,635	\$ 280,957
Receipts:							
Taxes	3,062	-	-	-	-	-	34,842
Licenses and permits	-	-	-	-	-	-	474
Intergovernmental	410	1,914	-	-	-	-	52,366
Charges for services	-	-	-	-	-	-	180
Fines and forfeits	-	-	-	-	-	-	1,226
Utility fees	-	-	206,643	-	-	-	206,643
Penalties	-	-	1,512	-	-	-	1,512
Other receipts	-	-	18,501	-	13,750	595	55,350
Total receipts	<u>3,472</u>	<u>1,914</u>	<u>226,656</u>	<u>-</u>	<u>13,750</u>	<u>595</u>	<u>352,593</u>
Disbursements:							
Personal services	-	-	-	-	-	-	20,527
Supplies	-	-	-	-	-	-	7,834
Other services and charges	-	2,160	-	-	-	-	42,818
Debt service - principal and interest	-	-	653	-	-	-	653
Capital outlay	-	-	-	-	9,208	-	19,208
Utility operating expenses	-	-	172,952	-	-	325	173,277
Other disbursements	79	-	43,221	-	-	-	43,949
Total disbursements	<u>79</u>	<u>2,160</u>	<u>216,826</u>	<u>-</u>	<u>9,208</u>	<u>325</u>	<u>308,266</u>
Excess (deficiency) of receipts over disbursements	<u>3,393</u>	<u>(246)</u>	<u>9,830</u>	<u>-</u>	<u>4,542</u>	<u>270</u>	<u>44,327</u>
Cash and investments - ending	<u>\$ 9,982</u>	<u>\$ 7,409</u>	<u>\$ 50,117</u>	<u>\$ 931</u>	<u>\$ 17,218</u>	<u>\$ 6,905</u>	<u>\$ 325,284</u>

TOWN OF KNIGHTSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Riverboat	Park Donation
Cash and investments - beginning	\$ 99,554	\$ 65,315	\$ 16,925	\$ 887	\$ 17,459	\$ 26,911
Receipts:						
Taxes	33,838	-	-	-	-	-
Licenses and permits	-	-	-	200	-	-
Intergovernmental	27,518	16,417	3,695	-	3,904	-
Charges for services	45	-	-	-	-	-
Fines and forfeits	1,001	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	11,293	-	-	-	-	-
Total receipts	<u>73,695</u>	<u>16,417</u>	<u>3,695</u>	<u>200</u>	<u>3,904</u>	<u>-</u>
Disbursements:						
Personal services	14,894	5,217	-	-	-	-
Supplies	2,329	-	-	-	-	-
Other services and charges	25,929	6,983	1,620	400	3,753	200
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	150	-	-	-	-	-
Total disbursements	<u>43,302</u>	<u>12,200</u>	<u>1,620</u>	<u>400</u>	<u>3,753</u>	<u>200</u>
Excess (deficiency) of receipts over disbursements	<u>30,393</u>	<u>4,217</u>	<u>2,075</u>	<u>(200)</u>	<u>151</u>	<u>(200)</u>
Cash and investments - ending	<u>\$ 129,947</u>	<u>\$ 69,532</u>	<u>\$ 19,000</u>	<u>\$ 687</u>	<u>\$ 17,610</u>	<u>\$ 26,711</u>

TOWN OF KNIGHTSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Rainy Day	Levy Excess	LOIT-Public Safety	CCD	CCI
Cash and investments - beginning	\$ 4,943	\$ 728	\$ -	\$ 9,982	\$ 7,409
Receipts:					
Taxes	-	-	-	2,985	-
Licenses and permits	-	-	-	-	-
Intergovernmental	801	-	6,771	462	1,826
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	-	126	-	79	-
Total receipts	<u>801</u>	<u>126</u>	<u>6,771</u>	<u>3,526</u>	<u>1,826</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	865	586
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	728	-	-	-
Total disbursements	<u>-</u>	<u>728</u>	<u>-</u>	<u>865</u>	<u>586</u>
Excess (deficiency) of receipts over disbursements	<u>801</u>	<u>(602)</u>	<u>6,771</u>	<u>2,661</u>	<u>1,240</u>
Cash and investments - ending	<u>\$ 5,744</u>	<u>\$ 126</u>	<u>\$ 6,771</u>	<u>\$ 12,643</u>	<u>\$ 8,649</u>

TOWN OF KNIGHTSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility - Depreciation/ Improve	Water Utility-Customer Deposit	Totals
Cash and investments - beginning	\$ 50,117	\$ 931	\$ 17,218	\$ 6,905	\$ 325,284
Receipts:					
Taxes	-	-	-	-	36,823
Licenses and permits	-	-	-	-	200
Intergovernmental	-	-	-	-	61,394
Charges for services	-	-	-	-	45
Fines and forfeits	-	-	-	-	1,001
Utility fees	230,032	-	-	-	230,032
Penalties	1,949	-	-	-	1,949
Other receipts	22,307	-	13,750	735	48,290
Total receipts	254,288	-	13,750	735	379,734
Disbursements:					
Personal services	-	-	-	-	20,111
Supplies	-	-	-	-	2,329
Other services and charges	-	-	-	-	40,336
Debt service - principal and interest	1,306	-	-	-	1,306
Capital outlay	-	-	13,343	-	13,343
Utility operating expenses	198,007	-	-	85	198,092
Other disbursements	49,252	-	-	-	50,130
Total disbursements	248,565	-	13,343	85	325,647
Excess (deficiency) of receipts over disbursements	5,723	-	407	650	54,087
Cash and investments - ending	\$ 55,840	\$ 931	\$ 17,625	\$ 7,555	\$ 379,371

TOWN OF KNIGHTSVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2010

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>Ending Balance</u>
Other:	
Capital assets, not being depreciated:	
Buildings	\$ 79,820
Machinery and equipment	<u>45,000</u>
Total other capital assets	<u>124,820</u>
Water Utility:	
Capital assets, not being depreciated:	
Buildings	43,000
Improvements other than buildings	715,527
Machinery and equipment	<u>80,118</u>
Total Water Utility capital assets	<u>838,645</u>
Total capital assets not being depreciated	<u>\$ 963,465</u>

TOWN OF KNIGHTSVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund/ Department
Notes and loans payable: Purchase of backhoe	<u>\$ 31,947</u>	<u>\$ 9,103</u>	Water Utility Operating Fund

TOWN OF KNIGHTSVILLE
EXAMINATION RESULT AND COMMENT

FUND SOURCES AND USES (Applies to Town)

Funds were disbursed from the Motor Vehicle Highway Fund for law enforcement purposes. However, the amounts disbursed in 2009 and 2010 exceeded the 15 percent statutory limit by \$2,746 and \$2,754, respectively.

Indiana Code 8-14-1-5 allows cities and towns to use a portion of motor vehicle highway funds for law enforcement purposes, subject to the following limitations:

- "(1) For cities and towns with a population of 5,000 or more, no more than 10% of the amounts distributed may be spent for law enforcement purposes.
- (2) For cities and towns with a population of less than 5,000, no more than 15% of the amounts distributed may be spent for law enforcement purposes."

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (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 March 1, 2012, with Charlotte Reyher, Deputy Clerk-Treasurer, and Debra S. Cress, Vice President of the Town Council. The officials concurred with our finding.