

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF MOUNT VERNON
POSEY COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
09/29/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cristi L. Sitzman	09-15-12 to 12-31-15
Mayor	John Tucker	01-01-12 to 12-31-15
President of the Board of Public Works	John Tucker	01-01-12 to 12-31-15
President Pro Tempore of the Common Council	Bill Curtis	01-01-13 to 12-31-14
President of Water Utility Board	Bill Curtis	01-01-13 to 12-31-14
Superintendent of Water Utility	Chuck Gray	01-01-13 to 01-01-14
Superintendent of Wastewater Utility:		
Plant	Rodney Givens	01-01-13 to 12-31-14
Operations	Danny Moss	01-01-13 to 12-31-14
Pre-Treatment	Dennis Givens	01-01-13 to 12-31-14
Utility Office Manager	Deann Blackburn	01-01-13 to 12-31-14



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF MOUNT VERNON, POSEY COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Mount Vernon (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2013.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 24, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.


Paul D. Joyce, CPA
State Examiner

July 24, 2014



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE CITY OF MOUNT VERNON, POSEY COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the City of Mount Vernon (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated July 24, 2014, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

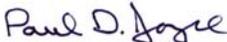
As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001.

City of Mount Vernon's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

July 24, 2014

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

CITY OF MOUNT VERNON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2013

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
General	\$ 835,809	\$ 2,734,417	\$ 2,822,456	\$ 747,770
Motor Vehicle Highway	296,843	668,022	704,931	259,934
Local Road And Street	25,524	25,816	35,000	16,340
Park Nonreverting Operating	32,803	25,879	28,881	29,801
Abandoned Vehicle	2,501	-	-	2,501
Law Enforcement Continuing Ed	11,556	14,057	13,707	11,906
Parks And Recreation	187,554	611,206	634,299	164,461
Rainy Day	93,224	-	-	93,224
Cumulative Capital Development	27,579	82,044	71,352	38,271
Cumulative Capital Improvement	53,030	17,951	2,167	68,814
Police Pension	231,769	103,713	104,341	231,141
Fire Pension	308,291	114,106	122,755	299,642
Operation Pull-Over	-	3,213	3,213	-
West School Storm Water Project	5,958	37,056	43,013	1
ONB-Police & Fire Bldg 13 Debt Svc	-	88,988	-	88,988
ONB-Police & Fire Bldg 13 Constr	-	780,968	99,363	681,605
ONB-Police & Fire Bldg 13 Cap Int	-	21,206	-	21,206
E D I T	781,465	776,802	451,989	1,106,278
Donations	12,161	25,591	15,179	22,573
Economic Development Commission	51,176	-	596	50,580
State Gaming	73,091	39,613	36,244	76,460
EWSF	9,804	1	-	9,805
MVH II	13,554	10,901	-	24,455
Project Fun	29	15,379	12,730	2,678
BB Pool Lights	9	-	-	9
Downtown Plan	481	-	-	481
COIT	634,143	474,440	402,787	705,796
INSURANCE	9,511	140,729	138,901	11,339
Tax Incremental Financing	115,663	247,861	239,594	123,930
Payroll	29,756	3,293,363	3,297,705	25,414
Wastewater 2011 State Revolving Loan	-	147,915	147,915	-
Wastewater Operating and Maintenance	1,109,842	1,253,006	973,944	1,388,904
Wastewater Consumer Meter Deposit	45,882	17,394	16,735	46,541
Wastewater Cash Clearance	-	2,054,946	2,054,946	-
Wastewater Improvement	6,703	-	-	6,703
Wastewater Petty Cash	300	-	-	300
Wastewater Trash Transfer	-	277,333	277,333	-
Wastewater Pretreatment	129,438	66,457	57,192	138,703
Wastewater Debt Service Reserve	531,610	66,012	-	597,622
Wastewater Sinking	754,136	755,250	691,689	817,697
Wastewater 2009 State Revolving Loan	-	608,265	608,265	-
Water Operating & Maintenance	1,885,839	1,802,384	3,198,930	489,293
Water ONB Escrow	154,547	178,680	178,691	154,536
Water Debt Service Reserve	849,416	106,704	-	956,120
Water 2012 Revenue Bond Fund	926,229	-	884,960	41,269
Water Bond & Interest	62,660	891,846	954,498	8
Water Consumer Meter Deposit	89,899	17,920	17,392	90,427
Water Revenue	-	2,910,175	2,910,175	-
Water Improvement	125,442	1,499,000	45,143	1,579,299
Water Petty Cash	200	-	-	200
Totals	\$ 10,515,427	\$ 23,006,609	\$ 22,299,011	\$ 11,223,025

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

CITY OF MOUNT VERNON
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor 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, wastewater, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 statement. The aggregate receipts include 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, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

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, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

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

CITY OF MOUNT VERNON
NOTES TO FINANCIAL STATEMENT
(Continued)

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, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, and court costs.

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.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include 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.

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

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.

CITY OF MOUNT VERNON
NOTES TO FINANCIAL STATEMENT
(Continued)

F. Interfund Transfers

The City 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 City. 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 City. 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 City 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 City 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 City 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.

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.

CITY OF MOUNT VERNON
NOTES TO FINANCIAL STATEMENT
(Continued)

State statutes authorize 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.

Note 5. Risk Management

The City 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 City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. *1925 Police Officers' Pension Plan*

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

B. *1937 Firefighters' Pension Plan*

Plan Description

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

CITY OF MOUNT VERNON
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. *1977 Police Officers' and Firefighters' Pension and Disability Fund*

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS 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:

Indiana Public Retirement System
1 North Capitol Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

D. *Additional Pension Plan*

The City also contributes to an additional pension plan unique to the City. Information regarding the plan may be obtained from the City.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	General	Motor Vehicle Highway	Local Road And Street	Park Nonreverting Operating	Abandoned Vehicle	Law Enforcement Continuing Ed	Parks And Recreation
Cash and investments - beginning	\$ 835,809	\$ 296,843	\$ 25,524	\$ 32,803	\$ 2,501	\$ 11,556	\$ 187,554
Receipts:							
Taxes	2,186,078	411,673	-	-	-	-	524,129
Licenses and permits	38,271	-	-	-	-	4,470	-
Intergovernmental	209,833	243,978	25,816	-	-	-	3,732
Charges for services	288,161	11,008	-	25,000	-	1,776	43,154
Fines and forfeits	-	-	-	-	-	3,075	-
Utility fees	-	-	-	-	-	-	-
Other receipts	12,074	1,363	-	879	-	4,736	40,191
Total receipts	<u>2,734,417</u>	<u>668,022</u>	<u>25,816</u>	<u>25,879</u>	<u>-</u>	<u>14,057</u>	<u>611,206</u>
Disbursements:							
Personal services	1,879,927	340,228	-	8,429	-	-	407,759
Supplies	184,838	114,566	-	15,708	-	13,707	61,539
Other services and charges	691,293	216,795	35,000	3,039	-	-	109,458
Capital outlay	64,532	33,342	-	-	-	-	14,857
Other disbursements	1,866	-	-	1,705	-	-	40,686
Total disbursements	<u>2,822,456</u>	<u>704,931</u>	<u>35,000</u>	<u>28,881</u>	<u>-</u>	<u>13,707</u>	<u>634,299</u>
Excess (deficiency) of receipts over disbursements	<u>(88,039)</u>	<u>(36,909)</u>	<u>(9,184)</u>	<u>(3,002)</u>	<u>-</u>	<u>350</u>	<u>(23,093)</u>
Cash and investments - ending	<u>\$ 747,770</u>	<u>\$ 259,934</u>	<u>\$ 16,340</u>	<u>\$ 29,801</u>	<u>\$ 2,501</u>	<u>\$ 11,906</u>	<u>\$ 164,461</u>

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Rainy Day	Cumulative Capital Development	Cumulative Capital Improvement	Police Pension	Fire Pension	Operation Pull-Over	West School Storm Water Project
Cash and investments - beginning	\$ 93,224	\$ 27,579	\$ 53,030	\$ 231,769	\$ 308,291	\$ -	\$ 5,958
Receipts:							
Taxes	-	79,968	-	103,452	113,817	-	37,056
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	2,076	17,951	261	289	3,213	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	82,044	17,951	103,713	114,106	3,213	37,056
Disbursements:							
Personal services	-	-	-	102,814	122,709	-	-
Supplies	-	6,352	-	107	-	-	-
Other services and charges	-	-	-	1,420	46	-	-
Capital outlay	-	65,000	2,167	-	-	-	-
Other disbursements	-	-	-	-	-	3,213	43,013
Total disbursements	-	71,352	2,167	104,341	122,755	3,213	43,013
Excess (deficiency) of receipts over disbursements	-	10,692	15,784	(628)	(8,649)	-	(5,957)
Cash and investments - ending	\$ 93,224	\$ 38,271	\$ 68,814	\$ 231,141	\$ 299,642	\$ -	\$ 1

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	ONB-Police & Fire Bldg 13 Debt Svc	ONB-Police & Fire Bldg 13 Constr	ONB-Police & Fire Bldg 13 Cap Int	E D I T	Donations	Economic Development Commission	State Gaming
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 781,465	\$ 12,161	\$ 51,176	\$ 73,091
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	731,601	-	-	39,613
Charges for services	-	-	-	5,201	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	88,988	780,968	21,206	40,000	25,591	-	-
Total receipts	<u>88,988</u>	<u>780,968</u>	<u>21,206</u>	<u>776,802</u>	<u>25,591</u>	<u>-</u>	<u>39,613</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	11,000	-	-	-
Other services and charges	-	-	-	286,903	-	-	30,886
Capital outlay	-	-	-	114,086	-	-	5,358
Other disbursements	-	99,363	-	40,000	15,179	596	-
Total disbursements	<u>-</u>	<u>99,363</u>	<u>-</u>	<u>451,989</u>	<u>15,179</u>	<u>596</u>	<u>36,244</u>
Excess (deficiency) of receipts over disbursements	<u>88,988</u>	<u>681,605</u>	<u>21,206</u>	<u>324,813</u>	<u>10,412</u>	<u>(596)</u>	<u>3,369</u>
Cash and investments - ending	<u>\$ 88,988</u>	<u>\$ 681,605</u>	<u>\$ 21,206</u>	<u>\$ 1,106,278</u>	<u>\$ 22,573</u>	<u>\$ 50,580</u>	<u>\$ 76,460</u>

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	EWSF	MVH II	Project Fun	BB Pool Lghts	Downtown Plan	COIT
Cash and investments - beginning	\$ 9,804	\$ 13,554	\$ 29	\$ 9	\$ 481	\$ 634,143
Receipts:						
Taxes	-	10,901	14,629	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	458,319
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	1	-	750	-	-	16,121
Total receipts	<u>1</u>	<u>10,901</u>	<u>15,379</u>	<u>-</u>	<u>-</u>	<u>474,440</u>
Disbursements:						
Personal services	-	-	-	-	-	260,754
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	59,339
Capital outlay	-	-	-	-	-	66,643
Other disbursements	-	-	12,730	-	-	16,051
Total disbursements	<u>-</u>	<u>-</u>	<u>12,730</u>	<u>-</u>	<u>-</u>	<u>402,787</u>
Excess (deficiency) of receipts over disbursements	<u>1</u>	<u>10,901</u>	<u>2,649</u>	<u>-</u>	<u>-</u>	<u>71,653</u>
Cash and investments - ending	<u>\$ 9,805</u>	<u>\$ 24,455</u>	<u>\$ 2,678</u>	<u>\$ 9</u>	<u>\$ 481</u>	<u>\$ 705,796</u>

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	INSURANCE	Tax Incremental Financing	Payroll	Wastewater 2011 State Revolving Loan	Wastewater Operating and Maintenance	Wastewater Consumer Meter Deposit
Cash and investments - beginning	\$ 9,511	\$ 115,663	\$ 29,756	\$ -	\$ 1,109,842	\$ 45,882
Receipts:						
Taxes	-	247,861	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	140,729	-	3,293,363	147,915	1,253,006	17,394
Total receipts	<u>140,729</u>	<u>247,861</u>	<u>3,293,363</u>	<u>147,915</u>	<u>1,253,006</u>	<u>17,394</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	138,901	239,594	3,297,705	147,915	973,944	16,735
Total disbursements	<u>138,901</u>	<u>239,594</u>	<u>3,297,705</u>	<u>147,915</u>	<u>973,944</u>	<u>16,735</u>
Excess (deficiency) of receipts over disbursements	<u>1,828</u>	<u>8,267</u>	<u>(4,342)</u>	<u>-</u>	<u>279,062</u>	<u>659</u>
Cash and investments - ending	<u>\$ 11,339</u>	<u>\$ 123,930</u>	<u>\$ 25,414</u>	<u>\$ -</u>	<u>\$ 1,388,904</u>	<u>\$ 46,541</u>

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Wastewater Cash Clearance	Wastewater Improvement	Wastewater Petty Cash	Wastewater Trash Transfer	Wastewater Pretreatment	Wastewater Debt Service Reserve
Cash and investments - beginning	\$ -	\$ 6,703	\$ 300	\$ -	\$ 129,438	\$ 531,610
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	277,333	-	-
Other receipts	2,054,946	-	-	-	66,457	66,012
Total receipts	<u>2,054,946</u>	<u>-</u>	<u>-</u>	<u>277,333</u>	<u>66,457</u>	<u>66,012</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	2,054,946	-	-	277,333	57,192	-
Total disbursements	<u>2,054,946</u>	<u>-</u>	<u>-</u>	<u>277,333</u>	<u>57,192</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,265</u>	<u>66,012</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 6,703</u>	<u>\$ 300</u>	<u>\$ -</u>	<u>\$ 138,703</u>	<u>\$ 597,622</u>

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Wastewater Sinking	Wastewater 2009 State Revolving Loan	Water Operating & Maintenance	Water ONB Escrow	Water Debt Service Reserve	Water 2012 Revenue Bond Fund
Cash and investments - beginning	\$ 754,136	\$ -	\$ 1,885,839	\$ 154,547	\$ 849,416	\$ 926,229
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	755,250	608,265	1,802,384	178,680	106,704	-
Total receipts	<u>755,250</u>	<u>608,265</u>	<u>1,802,384</u>	<u>178,680</u>	<u>106,704</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	691,689	608,265	3,198,930	178,691	-	884,960
Total disbursements	<u>691,689</u>	<u>608,265</u>	<u>3,198,930</u>	<u>178,691</u>	<u>-</u>	<u>884,960</u>
Excess (deficiency) of receipts over disbursements	<u>63,561</u>	<u>-</u>	<u>(1,396,546)</u>	<u>(11)</u>	<u>106,704</u>	<u>(884,960)</u>
Cash and investments - ending	<u>\$ 817,697</u>	<u>\$ -</u>	<u>\$ 489,293</u>	<u>\$ 154,536</u>	<u>\$ 956,120</u>	<u>\$ 41,269</u>

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Water Bond & Interest	Water Consumer Meter Deposit	Water Revenue	Water Improvement	Water Petty Cash	Totals
Cash and investments - beginning	\$ 62,660	\$ 89,899	\$ -	\$ 125,442	\$ 200	\$ 10,515,427
Receipts:						
Taxes	-	-	-	-	-	3,729,564
Licenses and permits	-	-	-	-	-	42,741
Intergovernmental	-	-	-	-	-	1,736,682
Charges for services	-	-	-	-	-	374,300
Fines and forfeits	-	-	-	-	-	3,075
Utility fees	-	-	-	-	-	277,333
Other receipts	891,846	17,920	2,910,175	1,499,000	-	16,842,914
Total receipts	<u>891,846</u>	<u>17,920</u>	<u>2,910,175</u>	<u>1,499,000</u>	<u>-</u>	<u>23,006,609</u>
Disbursements:						
Personal services	-	-	-	-	-	3,122,620
Supplies	-	-	-	-	-	407,817
Other services and charges	-	-	-	-	-	1,434,179
Capital outlay	-	-	-	-	-	365,985
Other disbursements	954,498	17,392	2,910,175	45,143	-	16,968,410
Total disbursements	<u>954,498</u>	<u>17,392</u>	<u>2,910,175</u>	<u>45,143</u>	<u>-</u>	<u>22,299,011</u>
Excess (deficiency) of receipts over disbursements	<u>(62,652)</u>	<u>528</u>	<u>-</u>	<u>1,453,857</u>	<u>-</u>	<u>707,598</u>
Cash and investments - ending	<u>\$ 8</u>	<u>\$ 90,427</u>	<u>\$ -</u>	<u>\$ 1,579,299</u>	<u>\$ 200</u>	<u>\$ 11,223,025</u>

CITY OF MOUNT VERNON
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2013

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 155,510	\$ 13,179
Water Utility	295,959	8,254
Governmental activities	77,113	-
Totals	\$ 528,582	\$ 21,433

CITY OF MOUNT VERNON
SCHEDULE OF LEASES AND DEBT
December 31, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Mercedes Benz	Dump Truck	\$ 35,489	12/27/2013	12/27/2016
TCF Equipment Finance	Peterson Lightning Loader	<u>24,507</u>	8/15/2010	5/15/2014
Total governmental activities		<u>59,996</u>		
Total of annual lease payments		<u>\$ 59,996</u>		
Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year	
Governmental activities:				
Notes and loans payable	Peterson Lightning Loader	\$ 23,494	\$ 24,507	
Notes and loans payable	Mercedes Benz Dump Truck	100,232	35,489	
Notes and loans payable	First Mortgage Bonds Series 2013; Public Safety Building	<u>900,000</u>	<u>63,556</u>	
Total governmental activities		<u>1,023,726</u>	<u>123,552</u>	
Wastewater:				
Revenue bonds	Sewage Works Revenue Bonds of 2001 Series A (SRF)	1,039,000	134,615	
Revenue bonds	Sewage Works Revenue Bonds of 2009 (SRF)	2,128,288	179,657	
Revenue bonds	Sewage Works Revenue Bonds of 2006 (SRF)	294,957	24,774	
Revenue bonds	Sewage Works Revenue Bonds of 2011 (SRF)	<u>5,661,610</u>	<u>410,308</u>	
Total Wastewater		<u>9,123,855</u>	<u>749,354</u>	
Water Utility:				
Revenue bonds	Waterworks Revenue Bonds of 2001	2,100,000	261,838	
Revenue bonds	Waterworks Revenue Bonds of 2012	14,390,000	860,413	
Notes and loans payable	Waterworks Equipment Lease of 2007-meters	<u>1,320,791</u>	<u>178,691</u>	
Total Water Utility		<u>17,810,791</u>	<u>1,300,942</u>	
Totals		<u>\$ 27,958,372</u>	<u>\$ 2,173,848</u>	

CITY OF MOUNT VERNON
SCHEDULE OF CAPITAL ASSETS
December 31, 2013

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.

	Ending Balance
Governmental activities:	
Land	\$ 338,651
Buildings	1,563,467
Improvements other than buildings	241,789
Machinery, equipment, and vehicles	3,827,160
Total governmental activities	5,971,067
Wastewater:	
Land	44,940
Infrastructure	13,750,662
Buildings	1,925,070
Improvements other than buildings	7,735,113
Machinery, equipment, and vehicles	5,033,009
Total Wastewater	28,488,794
Water Utility:	
Land	135,322
Infrastructure	9,598,438
Buildings	5,687,907
Improvements other than buildings	15,914,699
Machinery, equipment, and vehicles	5,435,645
Total Water Utility	36,772,011
Total capital assets	\$ 71,231,872

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE CITY OF MOUNT VERNON, POSEY COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the City of Mount Vernon's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2013. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

July 24, 2014

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the City. The schedule and note are presented as intended by the City.

CITY OF MOUNT VERNON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>				
CDBG - State-Administered CDBG Cluster				
Community Development Block Grant/States Program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228	CF-11-112	\$ 37,056
West School Storm Water Project Disaster Recovery Program		14.228	DR2-09-134	<u>147,915</u>
Total - CDBG - State-Administered CDBG Cluster				<u>184,971</u>
Total - Department of Housing and Urban Development				<u>184,971</u>
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster				
Highway Planning and Construction Safe Routes to School	Indiana Department of Transportation	20.205	DES #0810439	<u>8,836</u>
Total - Highway Planning and Construction Cluster				<u>8,836</u>
Highway Safety Cluster				
State and Community Highway Safety Operation Pull-Over	Indiana Criminal Justice Institute	20.600	D3-13-73454	2,214
Safety Belt Performance Grants Operation Pull-Over		20.609	D3-13-73454	<u>999</u>
Total - Highway Safety Cluster				<u>3,213</u>
Total - Department of Transportation				<u>12,049</u>
<u>Environmental Protection Agency</u>				
Environmental Protection Agency Capitalization Grants for Clean Water State Revolving Funds	Indiana Finance Authority	66.458	WW06496504	<u>304,133</u>
Total federal awards expended				<u>\$ 501,153</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF MOUNT VERNON
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF MOUNT VERNON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	no

Identification of Major Program:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
----------------------------------------	----

Section II - Financial Statement Findings

FINDING 2013-001 - INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

CITY OF MOUNT VERNON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

During the audit of the SEFA, we noted the following errors: the names of three federal programs were reported incorrectly, the amounts expended were reported incorrectly for two programs, and most programs did not include a pass-through entity identification number. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.

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- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the City. The document is presented as intended by the City.

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the City. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.