

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

EXAMINATION REPORT  
OF  
CITY OF MOUNT VERNON  
POSEY COUNTY, INDIANA  
January 1, 2005 to December 31, 2005



**FILED**  
10/26/2006



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cristi Wolfe	01-01-04 to 12-31-07
Mayor	Rosemary Knowles	01-01-04 to 12-31-07
President of the Common Council	Terry Cooper	01-01-05 to 12-31-06
President of the Board of Public Works	Rosemary Knowles	01-01-05 to 12-31-06
President of the Utility Service Board	Terry Cooper	01-01-05 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the schedule of receipts, disbursements, and cash and investment balances of the City of Mount Vernon (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

September 21, 2006

CITY OF MOUNT VERNON  
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
<b>Governmental Funds:</b>				
General	\$ 1,265,590	\$ 2,467,413	\$ 2,482,326	\$ 1,250,677
Motor Vehicle Highway	337,984	688,590	650,727	375,847
Motor Vehicle Highway II	33,596	12,883	-	46,479
Local Road and Street	22,410	54,474	43,596	33,288
Park and Recreation	251,382	479,274	487,652	243,004
Park and Recreation Nonreverting	7,526	23,470	20,009	10,987
Law Enforcement Continuing Education	3,664	2,635	3,302	2,997
Emergency Warning System	9,726	24	-	9,750
Donation	1,805	1,205	1,000	2,010
Parking Meter	413	2,957	-	3,370
Abandoned Vehicle	3,619	3,000	3,160	3,459
Project Fun	1,677	130	1,580	227
State Gaming	94,440	47,154	14,593	127,001
Survival Life Trailer	-	106	74	32
BB Pool Lights	235	-	-	235
Cumulative Capital Improvement	24,962	43,117	20,000	48,079
Cumulative Capital Development	39,400	71,916	66,618	44,698
<b>Proprietary Funds:</b>				
Water Utility - Operating	71,494	4,226,836	4,137,388	160,942
Water Utility - Bond and Interest 1955	2,804	-	2,804	-
Water Utility - Bond and Interest 1997	41,299	498,666	489,378	50,587
Water Utility - State Revolving	34,966	263,900	238,415	60,451
Water Utility - Customer Deposit	51,737	8,380	8,509	51,608
Water Utility - Debt Service Reserve	651,055	71,000	-	722,055
Water Utility - Improvement	30,375	-	27,309	3,066
Wastewater Utility - Operating	190,626	2,176,605	2,192,687	174,544
Wastewater Utility - Bond and Interest	28,749	345,982	197,829	176,902
Wastewater Utility - State Revolving	21,562	205,792	135,474	91,880
Wastewater Utility - Customer Deposit	19,728	3,461	3,747	19,442
Wastewater Utility - Debt Service Reserve	288,631	-	-	288,631
Wastewater Utility - Improvement	92,158	-	60,500	31,658
<b>Fiduciary Funds:</b>				
Levy Excess	-	12,436	-	12,436
Police Officers' Pension	166,501	100,758	116,618	150,641
Police Officers' Pension Drop	21,381	9,721	31,102	-
Firefighters' Pension	101,372	105,550	93,542	113,380
Insurance	-	144,194	143,579	615
Payroll	14,786	2,437,892	2,436,168	16,510
<b>Totals</b>	<b>\$ 3,927,653</b>	<b>\$ 14,509,521</b>	<b>\$ 14,109,686</b>	<b>\$ 4,327,488</b>

The accompanying notes are an integral part of the schedules.

CITY OF MOUNT VERNON  
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, general administrative services, water and wastewater.

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 MOUNT VERNON  
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 give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

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

Funding Policy and Annual Pension Cost

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

Note 7. Long-Term Debt

City

The City has entered into a capital lease for a fire truck. The outstanding principal at December 31, 2005, was \$446,859.

Water Utility

Under the terms of the State Revolving Loan Fund, revenue bonds have been purchased by the Indiana Bond Bank, the proceeds of which are set aside to finance the construction of various water rehabilitation projects. Funds are loaned to the Utility as construction costs are accrued to the maximum allowed. The 2001 loan established a maximum draw of \$3,735,000. As of December 31, 2005, the loan principal amount drawn was \$3,024,386. Principal repayments began in 2003 with \$335,000 paid to date. Annual debt service requirements for the 2001 loan will not be determined until planned construction projects are completed.

CITY OF MOUNT VERNON  
NOTES TO SCHEDULE  
(Continued)

The Water Utility has entered into refunding revenue bonds for \$4,510,000. The outstanding principal at December 31, 2005, was \$2,965,000.

The Water Utility has entered into capital leases for a dump truck and a backhoe. The total outstanding principal at December 31, 2005, was \$45,649.

Wastewater Utility

Under the terms of the State Revolving Loan Fund, revenue bonds have been purchased by the Indiana Bond Bank, the proceeds of which are set aside to finance the construction of various wastewater rehabilitation projects. Funds are loaned to the Utility as construction costs are accrued to the maximum allowed. The 2001 loan established a maximum draw of \$1,960,000. As of December 31, 2005, the loan principal amount drawn was \$1,921,618. Annual debt service requirements for the 2001 loan will not be determined until planned construction projects are completed.

The Wastewater Utility has entered into refunding revenue bonds for \$1,575,000. The outstanding principal at December 31, 2005, was \$1,025,000.

CITY OF MOUNT VERNON  
EXAMINATION RESULTS AND COMMENTS

DELINQUENT WASTEWATER ACCOUNTS (Applies to Wastewater Utility)

As stated in prior audit reports, delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

(1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

(A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;

(B) a description of the premises, as shown by the records of the county auditor; and

(C) the amount of the delinquent fees, together with the penalty; or

(2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

ACCOUNTS RECEIVABLE (Applies to Water and Wastewater Utilities)

As stated in prior audit reports, officials have not established and adopted adequate written collection policies for addressing uncollectible Water and Wastewater accounts. Presently, accounts that are 90 days past due are assigned to a collection agency but not deleted from the active account status; however, this procedure has not been established by a written policy.

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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MOUNT VERNON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

ACCOUNTABLE ITEMS (Applies to Water and Wastewater Utilities)

As stated in the prior audit report, we noted a loss of approximately thirty-one percent in the amount of water pumped by the utility as compared to water consumption billed to customers for the year 2005. Officials are aware of many leaks and problems with meters. Because the Wastewater charges are computed on water consumption, the Wastewater Utility is losing revenue as well.

Goods for sale, billings, and other collections are considered accountable items. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS (Applies to Water and Wastewater Utilities)

As stated in prior audit reports, information presented for audit indicates the Water and Wastewater Utilities do not maintain sufficient detailed records of capital assets for their Capital Asset accounts. Upon purchase, the costs of the capital assets are added to an aggregate Capital Asset account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for some of the Utility's capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Deletions or disposals of capital assets are not recorded.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROVAL OF FORMS (Applies to Water and Wastewater Utilities)

As stated in the prior audit report, the Water and Wastewater Utilities were using billing/accounts receivable software that generates a form that has not been approved for use by the State Board of Accounts in lieu of the prescribed form.

The prescribed form not in use is:

Form 322 (Rev 1966) Consumer's Ledger - Municipal Water and Sewage Utility Combined

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MOUNT VERNON  
EXIT CONFERENCE

The contents of this report were discussed on September 28, 2006, with Cristi Wolfe, Clerk-Treasurer; Rosemary Knowles, Mayor; Terry Cooper, President of the Common Council; and Wanda Bennett, Utility Bookkeeper. The officials concurred with our findings.