

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

ANNUAL FINANCIAL REPORT

2005

CITY OF NORTH VERNON

JENNINGS COUNTY, INDIANA



FILED
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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Roger W. Short	01-01-04 to 12-31-07
Mayor	John G. Hall	01-01-04 to 12-31-07
Chairman of the Utility Service Board	Jack Kelley	01-01-05 to 12-31-07
President of the Common Council	David Shaw	01-01-05 to 12-31-07
Superintendent of Water Utility	Dean Jones	01-01-05 to 12-31-07
Superintendent of Wastewater Utility	David McCorvie	01-01-05 to 12-31-07
Utility Office Manager	Deanna Salyers	01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE CITY OF NORTH VERNON, JENNINGS COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Vernon (City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2005, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the table of contents and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Combining Schedules, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it

STATE BOARD OF ACCOUNTS

January 18, 2007



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

TO: THE OFFICIALS OF THE CITY OF NORTH VERNON, JENNINGS COUNTY, INDIANA

We have audited the financial statements of the City of North Vernon (City), as of and for the year ended December 31, 2005, and have issued our report thereon dated January 18, 2007. 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.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities 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

January 18, 2007

CITY OF NORTH VERNON
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2005

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 882,969	\$ 31,829	\$ 695,196	\$ -	\$ (155,944)	\$ -	\$ (155,944)
Public safety	1,627,941	10,070	52,242	-	(1,565,629)	-	(1,565,629)
Highways and streets	578,508	-	278,088	-	(300,420)	-	(300,420)
Sanitation	168,280	64,063	-	-	(104,217)	-	(104,217)
Culture and recreation	316,518	113,010	23,336	-	(180,172)	-	(180,172)
Economic development	235,856	-	105,258	34,275	(96,323)	-	(96,323)
Aviation	967,842	191,009	1,385	610,109	(165,339)	-	(165,339)
Debt service	662,454	-	-	-	(662,454)	-	(662,454)
Capital outlay	1,286,732	-	-	20,140	(1,266,592)	-	(1,266,592)
Total governmental activities	6,727,100	409,981	1,155,505	664,524	(4,497,090)	-	(4,497,090)
Business-type activities:							
Water	2,852,599	1,371,804	-	-	-	(1,480,795)	(1,480,795)
Wastewater	2,070,620	1,454,488	-	-	-	(616,132)	(616,132)
Total business-type activities	4,923,219	2,826,292	-	-	-	(2,096,927)	(2,096,927)
Total primary government	\$ 11,650,319	\$ 3,236,273	\$ 1,155,505	\$ 664,524	(4,497,090)	(2,096,927)	(6,594,017)
General receipts:							
Property taxes					3,295,765	-	3,295,765
Unrestricted intergovernmental receipts					159,275	-	159,275
Gaming Taxes					41,082	-	41,082
Bond proceeds					-	2,450,000	2,450,000
Insurance proceeds					167,347	-	167,347
Other operating receipts					9,103	1,720	10,823
Unrestricted investment earnings					154,951	104,997	259,948
Transfers					(260,202)	260,202	-
Total general receipts and transfers					3,567,321	2,816,919	6,384,240
Change in net assets					(929,769)	719,992	(209,777)
Net assets - beginning					7,425,290	4,387,177	11,812,467
Net assets - ending					\$ 6,495,521	\$ 5,107,169	\$ 11,602,690
Assets							
Cash and investments					\$ 874,302	\$ 1,175,863	\$ 2,050,165
Cash with fiscal agent					2,829,442	-	2,829,442
Restricted assets:							
Cash and investments					2,791,777	3,931,306	6,723,083
Total assets					\$ 6,495,521	\$ 5,107,169	\$ 11,602,690
Net Assets							
Restricted for:							
General government					\$ 23,593	\$ -	\$ 23,593
Public safety					64,081	-	64,081
Highways and streets					247,813	-	247,813
Sanitation					21,134	-	21,134
Culture and recreation					142,875	-	142,875
Urban redevelopment					39,575	-	39,575
Economic development					336,277	-	336,277
Aviation					221,112	-	221,112
Debt service					227,176	1,724,189	1,951,365
Capital outlay					4,297,583	2,149,133	6,446,716
Customer deposits					-	57,984	57,984
Unrestricted					874,302	1,175,863	2,050,165
Total net assets					\$ 6,495,521	\$ 5,107,169	\$ 11,602,690

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

CITY OF NORTH VERNON
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2005

	General	Redevelopment Commission Number 1	Redevelopment Commission Number 2	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 1,390,379	\$ 1,366,997	\$ -	\$ 538,389	\$ 3,295,765
Intergovernmental	827,290	14,566	-	1,159,753	2,001,609
Charges for services	57,209	-	-	352,772	409,981
Other	<u>226,287</u>	<u>19,552</u>	<u>92,828</u>	<u>11,511</u>	<u>350,178</u>
Total receipts	<u>2,501,165</u>	<u>1,401,115</u>	<u>92,828</u>	<u>2,062,425</u>	<u>6,057,533</u>
Disbursements:					
General government	769,077	-	-	113,892	882,969
Public safety	1,563,917	-	-	64,024	1,627,941
Highways and streets	74,043	-	-	504,465	578,508
Sanitation	125,351	-	-	42,929	168,280
Culture and recreation	78,379	-	-	238,139	316,518
Economic development	-	59,611	58,736	117,509	235,856
Aviation	-	-	-	967,842	967,842
Debt service:					
Principal	-	-	245,000	147,573	392,573
Interest	-	-	247,371	22,510	269,881
Capital outlay:					
Economic development	<u>-</u>	<u>-</u>	<u>1,286,732</u>	<u>-</u>	<u>1,286,732</u>
Total disbursements	<u>2,610,767</u>	<u>59,611</u>	<u>1,837,839</u>	<u>2,218,883</u>	<u>6,727,100</u>
Excess (deficiency) of receipts over disbursements	<u>(109,602)</u>	<u>1,341,504</u>	<u>(1,745,011)</u>	<u>(156,458)</u>	<u>(669,567)</u>
Other financing sources (uses)					
Interfund loans	-	-	(150,000)	150,000	-
Transfers in	15,000	114,866	1,446,007	31,481	1,607,354
Transfers out	<u>(11,695)</u>	<u>(1,312,092)</u>	<u>(467,916)</u>	<u>(75,853)</u>	<u>(1,867,556)</u>
Total other financing sources (uses)	<u>3,305</u>	<u>(1,197,226)</u>	<u>828,091</u>	<u>105,628</u>	<u>(260,202)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(106,297)</u>	<u>144,278</u>	<u>(916,920)</u>	<u>(50,830)</u>	<u>(929,769)</u>
Cash and investment fund balance - beginning	<u>897,224</u>	<u>991,188</u>	<u>3,746,362</u>	<u>1,790,516</u>	<u>7,425,290</u>
Cash and investment fund balance - ending	<u>\$ 790,927</u>	<u>\$ 1,135,466</u>	<u>\$ 2,829,442</u>	<u>\$ 1,739,686</u>	<u>\$ 6,495,521</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 790,927	\$ -	\$ -	\$ 83,375	\$ 874,302
Cash with fiscal agent	-	-	2,829,442	-	2,829,442
Restricted assets:					
Cash and investments	<u>-</u>	<u>1,135,466</u>	<u>-</u>	<u>1,656,311</u>	<u>2,791,777</u>
Total cash and investment assets - December 31	<u>\$ 790,927</u>	<u>\$ 1,135,466</u>	<u>\$ 2,829,442</u>	<u>\$ 1,739,686</u>	<u>\$ 6,495,521</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
General government	\$ -	\$ -	\$ -	\$ 23,593	\$ 23,593
Public safety	-	-	-	64,081	64,081
Highways and streets	-	-	-	247,813	247,813
Sanitation	-	-	-	21,134	21,134
Culture and recreation	-	-	-	142,875	142,875
Urban redevelopment	-	-	-	39,575	39,575
Economic development	-	-	-	336,277	336,277
Aviation	-	-	-	221,112	221,112
Debt service	-	-	-	227,176	227,176
Capital outlay	-	1,135,466	2,829,442	332,675	4,297,583
Unrestricted	<u>790,927</u>	<u>-</u>	<u>-</u>	<u>83,375</u>	<u>874,302</u>
Total cash and investment fund balance - December 31	<u>\$ 790,927</u>	<u>\$ 1,135,466</u>	<u>\$ 2,829,442</u>	<u>\$ 1,739,686</u>	<u>\$ 6,495,521</u>

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

CITY OF NORTH VERNON
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2005

	Water Utility	Wastewater Utility	Total
Operating receipts:			
Unmetered water receipts	\$ 1,233	\$ -	\$ 1,233
Metered water receipts:			
Residential	436,456	-	436,456
Commercial/industrial	605,475	-	605,475
Fire protection receipts	248,337	-	248,337
Penalties	16,092	-	16,092
Other water receipts	64,211	-	64,211
Measured revenue	-	1,342,219	1,342,219
Other	-	112,269	112,269
	<u>1,371,804</u>	<u>1,454,488</u>	<u>2,826,292</u>
Total operating receipts			
Operating disbursements:			
Equipment and capital improvements	1,446,708	247,755	1,694,463
Water treatment disbursements - operations and maintenance	248,294	-	248,294
Transmission and distribution	215,497	-	215,497
Collection system - operations and maintenance	-	457,182	457,182
Treatment and disposal disbursements - operations and maintenance	-	590,680	590,680
Customer accounts	55,365	2,567	57,932
Administration and general	319,046	259,396	578,442
Insurance claims and premiums	37,331	-	37,331
Other	52,034	-	52,034
	<u>2,374,275</u>	<u>1,557,580</u>	<u>3,931,855</u>
Total operating disbursements			
Deficiency of operating receipts over operating disbursements	<u>(1,002,471)</u>	<u>(103,092)</u>	<u>(1,105,563)</u>
Nonoperating receipts (disbursements):			
Bond proceeds	2,450,000	-	2,450,000
Interest and investment receipts	39,386	65,611	104,997
Debt service of principal	(220,000)	(145,000)	(365,000)
Interest on debt	(189,659)	(368,040)	(557,699)
Bond issue costs	(68,665)	-	(68,665)
Net customer deposits	1,720	-	1,720
	<u>2,012,782</u>	<u>(447,429)</u>	<u>1,565,353</u>
Total nonoperating receipts (disbursements)			
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	1,010,311	(550,521)	459,790
Transfers in	-	409,117	409,117
Transfers out	-	(148,915)	(148,915)
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	1,010,311	(290,319)	719,992
Cash and investment fund balance - beginning	<u>1,299,023</u>	<u>3,088,154</u>	<u>4,387,177</u>
Cash and investment fund balance - ending	<u>\$ 2,309,334</u>	<u>\$ 2,797,835</u>	<u>\$ 5,107,169</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 582,214	\$ 593,649	\$ 1,175,863
Cash with fiscal agent	-	-	-
Restricted assets:			
Cash and investments	<u>1,727,120</u>	<u>2,204,186</u>	<u>3,931,306</u>
Total cash and investment assets - December 31	<u>\$ 2,309,334</u>	<u>\$ 2,797,835</u>	<u>\$ 5,107,169</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 716,655	\$ 1,007,534	\$ 1,724,189
Capital outlay	952,481	1,196,652	2,149,133
Customer deposits	57,984	-	57,984
Unrestricted	<u>582,214</u>	<u>593,649</u>	<u>1,175,863</u>
Total cash and investment fund balance - December 31	<u>\$ 2,309,334</u>	<u>\$ 2,797,835</u>	<u>\$ 5,107,169</u>

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

CITY OF NORTH VERNON
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2005

	Pension Trust Fund	Agency Funds
	<u> </u>	<u> </u>
Additions:		
Contributions:		
Employer	\$ 37,983	\$ -
State	<u>57,238</u>	<u>-</u>
Total contributions	<u>95,221</u>	<u>-</u>
Agency fund additions	<u>-</u>	<u>1,599,052</u>
Total additions	<u>95,221</u>	<u>1,599,052</u>
Deductions:		
Benefits	89,276	-
Administrative and general	265	-
Agency fund deductions	<u>-</u>	<u>1,599,052</u>
Total deductions	<u>89,541</u>	<u>1,599,052</u>
Excess of total additions over total deductions	5,680	-
Cash and investment fund balance - beginning	<u>74,773</u>	<u>3,275</u>
Cash and investment fund balance - ending	<u>\$ 80,453</u>	<u>\$ 3,275</u>

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

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENTS

I. 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 the following services: public safety (police and fire), highways and streets, culture and recreation, sanitation, municipal airport, public improvements, planning and zoning, general administrative services, water, wastewater, and economic redevelopment.

The City's financial reporting entity is composed of the primary government.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The redevelopment commission number 1 fund accounts for taxes received from a tax increment financing (TIF) district.

The redevelopment commission number 2 fund is monies held by a trustee to pay indebtedness on revenue bonds benefiting the district and to pay for infrastructure acquisitions within the district. The fund is financed by transfers from the redevelopment commission fund number 1.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENTS
(Continued)

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations and collection systems.

Additionally, the City reports the following fund types:

The pension trust fund accounts for the activities of the 1925 police pension plan which accumulates resources for pension benefit payments.

Agency funds account for assets held by the City as an agent for employees and residents of the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, 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 cash and investment 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. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City and utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The City does not have any internal service funds.

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENTS
(Continued)

the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. Balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

The City's investments in the reported amount of \$2,829,442 are in open end mutual funds. Open end mutual funds are not subject to level of risk categorization. The reported amount is the fair value of the investments.

Investment Policies

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENTS
(Continued)

obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, were as follows:

Transfer From	Transfer To	2005
General Fund	Other governmental	\$ 11,695
Redevelopment Commission Number 1	Redevelopment Commission Number 2	1,297,092
Redevelopment Commission Number 1	Other governmental	15,000
Redevelopment Commission Number 2	Redevelopment Commission Number 1	58,799
Redevelopment Commission Number 2	Wastewater Utility	409,117
Other governmental	General Fund	15,000
Other governmental	Redevelopment Commission Number 1	56,067
Other governmental	Other governmental	4,786
All others	Redevelopment Commission Number 2	148,915
Total		<u>\$ 2,016,471</u>

IV. Other Information

A. Risk Management

The City is 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Job Related Illnesses or Injuries to Employees

During 2001, the City joined with other governmental entities to form the Indiana Public Employer's Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for member governmental entities. This risk pool was formed in 1989. The purpose of the

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENTS
(Continued)

risk pool is to provide a medium for the funding and administration of worker compensation claims. The City pays an annual premium to the risk pool for its worker compensation claims. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. City Pledged EDIT Revenues to the County

On October 15, 1996, the Jennings County EDIT Corporation issued \$2,635,000 of Economic Development Income Tax Lease Rental Revenue Bonds of 1996 to provide for constructing road improvements to certain roads located in Jennings County.

The lease agreement is between the Corporation as lessor and Jennings County as lessee, under which the Corporation will lease certain road improvements to the County. The lease payments are payable solely from the County's share of revenues received from Economic Development Income Tax (EDIT) imposed in the County, including a part of the City of North Vernon's and the Town of Vernon's share of EDIT for which the County has been designated as the recipient.

On October 7, 1996, the City Council passed Resolution 487 irrevocably pledging \$125,000 of the City's EDIT revenues to the County for a term beginning with the calendar year 1997 through 2007.

C. Transfer In – Wastewater Utility

The Redevelopment Commission receives incremental taxes generated for various City economic development projects that were financed by the 1996 Series A and B Tax Increment and Sewage Works Revenue Bonds. If surplus incremental taxes are generated, the surplus may be transferred to the Wastewater Utility to assist the Utility on its debt service obligation on Series B Issue. In 2005, the Redevelopment Commission Fund transferred \$260,202 to the Wastewater Utility.

D. Forgivable Loan

In 2002, the City agreed to be a recipient for a Community Development Block Grant through the Indiana Housing Finance Authority for North Vernon Senior Housing, Inc., (Senior Housing) for the rehabilitation of 68 rental units. The form of assistance was a forgivable loan. On April 1, 2004, the Senior Housing entered into a loan promising to repay the City the amount of assistance which is \$448,280 and payable at the rate of \$89,656 per year for 5 years. The first payment was due April 1, 2005. As long as the Senior Housing Facility remains a low-income facility, the payments will be forgivable.

E. Subsequent Events

On June 20, 2006, the 2006 Tax Increment and Sewage Works Refunding Revenue Bonds were issued for \$6,410,000. The proceeds of the bond issue were used to refund the 1996 Tax Increment and Sewage Works Revenue Bonds and the 2001 Sewage Works Revenue Bonds.

On June 30, 2006, the 2006 Tax Increment and Sewage Works Revenue Bonds were issued for \$800,000 to pay for certain sewage works projects and incidental expenses in connection with the issuance of the bonds.

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENTS
(Continued)

On April 17, 2006, the Redevelopment Commission approved Resolution 2006-002 irrevocably pledging the "Pledged Tax Increment" to the City for payment of principal and interest on the 2006 Bonds mention above. The "Pledged Tax Increment" is the amount of tax increment remaining after payment of the 2003 Tax Increment Revenue Bonds and any other additional bonds issued on a parity therewith.

On August 1, 2006, the 2006 Redevelopment District Tax Increment Revenue Bonds were issued for \$2,000,000 to pay for redevelopment projects.

In 2006, the City received a grant from the City of Lawrenceburg's Economic Development Revenue Sharing program in the amount of \$1,083,500 to complete the rehabilitation and development of the North Vernon Education and Training Center (NVETC).

On February 27, 2006, Dunlap and Company, Inc., was awarded the construction contract for the Street Department Service Center in the amount of \$699,900.

In 2006, the city received a Community Development Block Grant, CF-05-117, for \$462,000 for the downtown façade project. Harmon Construction, Inc., was awarded the contract for \$462,100.

F. Postemployment Benefits

In addition to the pension benefits described below, the City provides postemployment health, life, dental and vision insurance benefits, as authorized by Indiana Code 5-10-8, to public safety employees who retire from the City on or after attaining age 55 with at least 20 years of service. Currently, 2 retirees meet these eligibility requirements. The City and retirees provide 75% and 25%, respectively, of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2005, disbursements of \$16,212 were recognized for postemployment benefits.

G. Rate Structure – Enterprise Funds

Water Utility

On March 3, 1997, the City Council adopted Ordinance 763 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on April 25, 2005.

Wastewater Utility

The current rate structure was approved by the City Council on December 11, 2000.

H. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. 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

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENTS
(Continued)

employees are eligible to participate in the 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 member's 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. The 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 plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which 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 and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>
Annual required contribution	\$ 87,255	\$ 169,600
Interest on net pension obligation	(1,664)	39,800
Adjustment to annual required contribution	<u>1,897</u>	<u>(69,400)</u>
Annual pension cost	87,488	140,000
Contributions made	<u>85,274</u>	<u>95,221</u>
Increase in net pension obligation	2,214	44,779
Net pension obligation, Net pension obligation, beginning of year	<u>(22,955)</u>	<u>588,917</u>
Net pension obligation, end of year	<u>\$ (20,741)</u>	<u>\$ 633,696</u>
Contribution rates:		
City	6%	N/A
Plan members	3%	6%
Actuarial valuation date	07-01-05	01-01-05
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	30 years
Amortization period (from date)	07-01-97	12-31-77
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital

N/A = Not available

Actuarial Assumptions

Investment rate of return	7.25%	6%
Projected future salary increases:		
Total	5%	4%
Attributed to inflation	4%	4%
Attributed to merit/seniority	1%	0%
Cost-of-living adjustments	2%	2.75/4%*

* 2.75% converted members; 4% nonconverted members

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 81,586	84%	\$ (25,779)
	06-30-04	80,057	96%	(22,955)
	06-30-05	57,488	107%	(20,741)
1925 Police Officers' Pension Plan	12-31-02	137,400	67%	503,151
	12-31-03	171,400	50%	588,917
	12-31-04	140,000	68%	633,696

Membership in the 1925 Police Officers' Pension Plan at January 1, 2005, was comprised of the following:

	<u>1925 Police Officers' Pension</u>
Retirees and beneficiaries currently receiving benefits	5

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) 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 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2005, 2004, and 2003, were \$165,051, \$166,449, and \$151,846, respectively, equal to the required contributions for each year.

CITY OF NORTH VERNON
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	840,266	1,062,413	(222,147)	79%	1,308,580	17%
07-01-04	881,149	1,131,528	(250,379)	78%	1,341,049	19%
07-01-05	948,861	1,277,710	(328,849)	74%	1,393,128	24%

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-00	\$ (237)	\$ 1,778,700	\$ (1,778,937)	0%	*	*
01-01-01	44,363	1,760,000	(1,715,637)	3%	*	*
01-01-02	94,669	1,489,400	(1,394,731)	6%	*	*
01-01-03	94,946	1,779,900	(1,684,954)	5%	*	*
01-01-04	86,603	1,484,900	(1,398,297)	6%	*	*
01-01-05	74,773	1,429,300	(1,354,527)	5%	*	*

* No covered payroll

CITY OF NORTH VERNON
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

1925 Police Officers' Pension Plan			
	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed*
1925 Police Officers' Pension Plan	12-31-99	\$ 169,300	38%
	12-31-00	173,400	77%
	12-31-01	177,400	78%
	12-31-02	155,900	59%
	12-31-03	194,100	44%
	12-31-04	169,600	56%

* Information to provide percentage by contributing entity is not available.

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005

	Motor Vehicle Highway	Local Road and Street	Economic Development Income Tax	Park and Recreation	Cemetery	Aviation
Receipts:						
Taxes	\$ 190,317	\$ -	\$ -	\$ 105,935	\$ 29,579	\$ -
Intergovernmental	217,938	60,150	90,692	10,277	2,870	-
Charges for services	-	-	-	2,110	1,900	103,880
Other	-	2,604	-	150	164	200
Total receipts	408,255	62,754	90,692	118,472	34,513	104,080
Disbursements:						
General government	-	-	-	-	34,540	-
Public safety	-	-	-	-	-	-
Highways and streets	440,275	64,190	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	-	-	-	117,081	-	-
Economic development	-	-	71,500	-	-	-
Aviation	-	-	-	-	-	80,059
Debt service:						
Principal	-	-	-	-	-	17,573
Interest	-	-	-	-	-	6,485
Total disbursements	440,275	64,190	71,500	117,081	34,540	104,117
Excess (deficiency) of receipts over disbursements	(32,020)	(1,436)	19,192	1,391	(27)	(37)
Other financing sources (uses)						
Interfund loans	-	-	-	-	-	-
Transfers in	-	15,000	-	-	-	-
Transfers out	(1,775)	-	-	(986)	(277)	-
Total other financing sources (uses)	(1,775)	15,000	-	(986)	(277)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(33,795)	13,564	19,192	405	(304)	(37)
Cash and investment fund balance - beginning	183,899	84,145	109,952	74,243	16,897	63,687
Cash and investment fund balance - ending	<u>\$ 150,104</u>	<u>\$ 97,709</u>	<u>\$ 129,144</u>	<u>\$ 74,648</u>	<u>\$ 16,593</u>	<u>\$ 63,650</u>
Cash and Investment Assets - December 31						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	150,104	97,709	129,144	74,648	16,593	63,650
Total cash and investment assets - December 31	<u>\$ 150,104</u>	<u>\$ 97,709</u>	<u>\$ 129,144</u>	<u>\$ 74,648</u>	<u>\$ 16,593</u>	<u>\$ 63,650</u>
Cash and Investment Fund Balance - December 31						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	16,593	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	150,104	97,709	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	-	-	-	74,648	-	-
Urban redevelopment	-	-	-	-	-	-
Economic development	-	-	129,144	-	-	-
Aviation	-	-	-	-	-	63,650
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - December 31	<u>\$ 150,104</u>	<u>\$ 97,709</u>	<u>\$ 129,144</u>	<u>\$ 74,648</u>	<u>\$ 16,593</u>	<u>\$ 63,650</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Riverboat	Park Land Purchase	Aviation Grant	Fire Dept. Non-Reverting	Cumulative Capital Development	Park Bond Debt Service
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 77,961	\$ 134,597
Intergovernmental	41,082	-	1,385	-	7,564	13,059
Charges for services	-	-	-	-	-	-
Other	-	696	-	4,000	-	-
Total receipts	41,082	696	1,385	4,000	85,525	147,656
Disbursements:						
General government	-	-	-	-	79,352	-
Public safety	-	-	-	2,894	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	38,899	-	-	-	-	-
Economic development	-	-	-	-	-	-
Aviation	-	-	2,465	-	-	-
Debt service:						
Principal	-	-	-	-	-	130,000
Interest	-	-	-	-	-	16,025
Total disbursements	38,899	-	2,465	2,894	79,352	146,025
Excess (deficiency) of receipts over disbursements	2,183	696	(1,080)	1,106	6,173	1,631
Other financing sources (uses)						
Interfund loans	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(647)	(57,168)
Total other financing sources (uses)	-	-	-	-	(647)	(57,168)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,183	696	(1,080)	1,106	5,526	(55,537)
Cash and investment fund balance - beginning	35,651	55,635	1,141	173	274,007	282,713
Cash and investment fund balance - ending	<u>\$ 37,834</u>	<u>\$ 56,331</u>	<u>\$ 61</u>	<u>\$ 1,279</u>	<u>\$ 279,533</u>	<u>\$ 227,176</u>
Cash and Investment Assets - December 31						
Cash and investments	\$ 37,834	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	56,331	61	1,279	279,533	227,176
Total cash and investment assets - December 31	<u>\$ 37,834</u>	<u>\$ 56,331</u>	<u>\$ 61</u>	<u>\$ 1,279</u>	<u>\$ 279,533</u>	<u>\$ 227,176</u>
Cash and Investment Fund Balance - December 31						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	1,279	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	-	56,331	-	-	-	-
Urban redevelopment	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Aviation	-	-	61	-	-	-
Debt service	-	-	-	-	-	227,176
Capital outlay	-	-	-	-	279,533	-
Unrestricted	37,834	-	-	-	-	-
Total cash and investment fund balance - December 31	<u>\$ 37,834</u>	<u>\$ 56,331</u>	<u>\$ 61</u>	<u>\$ 1,279</u>	<u>\$ 279,533</u>	<u>\$ 227,176</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Park Nonreverting Operating	Aviation Rotary	Aviation Grant #3-18-0063-05	Aviation A.W.O.S.	Rainy Day Fund	Waste Disposal and Recycling Fee
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	467,386	142,723	-	-
Charges for services	83,620	87,129	-	-	-	64,063
Other	2,055	-	-	-	-	-
Total receipts	<u>85,675</u>	<u>87,129</u>	<u>467,386</u>	<u>142,723</u>	<u>-</u>	<u>64,063</u>
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	42,929
Culture and recreation	82,159	-	-	-	-	-
Economic development	-	-	-	-	-	-
Aviation	-	87,835	581,216	216,267	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total disbursements	<u>82,159</u>	<u>87,835</u>	<u>581,216</u>	<u>216,267</u>	<u>-</u>	<u>42,929</u>
Excess (deficiency) of receipts over disbursements	<u>3,516</u>	<u>(706)</u>	<u>(113,830)</u>	<u>(73,544)</u>	<u>-</u>	<u>21,134</u>
Other financing sources (uses)						
Interfund loans	-	-	150,000	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,516	(706)	36,170	(73,544)	-	21,134
Cash and investment fund balance - beginning	<u>8,380</u>	<u>22,670</u>	<u>42,723</u>	<u>130,088</u>	<u>28,870</u>	<u>-</u>
Cash and investment fund balance - ending	<u>\$ 11,896</u>	<u>\$ 21,964</u>	<u>\$ 78,893</u>	<u>\$ 56,544</u>	<u>\$ 28,870</u>	<u>\$ 21,134</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 28,870	\$ -
Restricted assets:						
Cash and investments	11,896	21,964	78,893	56,544	-	21,134
Total cash and investment assets - December 31	<u>\$ 11,896</u>	<u>\$ 21,964</u>	<u>\$ 78,893</u>	<u>\$ 56,544</u>	<u>\$ 28,870</u>	<u>\$ 21,134</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	21,134
Culture and recreation	11,896	-	-	-	-	-
Urban redevelopment	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Aviation	-	21,964	78,893	56,544	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	-	-	28,870	-
Total cash and investment fund balance - December 31	<u>\$ 11,896</u>	<u>\$ 21,964</u>	<u>\$ 78,893</u>	<u>\$ 56,544</u>	<u>\$ 28,870</u>	<u>\$ 21,134</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	North Vernon Community Development	Cumulative Capital Improvement	North Vernon Grant Fund	Police Donation	Hillcrest Cemetery	Downtown Revitalization Project
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	20,140	-	-	-	34,275
Charges for services	-	-	-	-	-	-
Other	-	-	-	1,189	-	263
Total receipts	-	20,140	-	1,189	-	34,538
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	1,290	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Economic development	23,820	-	-	-	-	22,189
Aviation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total disbursements	23,820	-	-	1,290	-	22,189
Excess (deficiency) of receipts over disbursements	(23,820)	20,140	-	(101)	-	12,349
Other financing sources (uses)						
Interfund loans	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	(15,000)	-	-	-	-
Total other financing sources (uses)	-	(15,000)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(23,820)	5,140	-	(101)	-	12,349
Cash and investment fund balance - beginning	230,953	48,002	505	2,861	7,000	26,721
Cash and investment fund balance - ending	<u>\$ 207,133</u>	<u>\$ 53,142</u>	<u>\$ 505</u>	<u>\$ 2,760</u>	<u>\$ 7,000</u>	<u>\$ 39,070</u>
Cash and Investment Assets - December 31						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	207,133	53,142	505	2,760	7,000	39,070
Total cash and investment assets - December 31	<u>\$ 207,133</u>	<u>\$ 53,142</u>	<u>\$ 505</u>	<u>\$ 2,760</u>	<u>\$ 7,000</u>	<u>\$ 39,070</u>
Cash and Investment Fund Balance - December 31						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ 7,000	\$ -
Public safety	-	-	-	2,760	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment	-	-	505	-	-	39,070
Economic development	207,133	-	-	-	-	-
Aviation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	53,142	-	-	-	-
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - December 31	<u>\$ 207,133</u>	<u>\$ 53,142</u>	<u>\$ 505</u>	<u>\$ 2,760</u>	<u>\$ 7,000</u>	<u>\$ 39,070</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Law Enforcement Continuing Education	Police Drug Task Force	Police Grant Fund	Levy Excess	Totals
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 538,389
Intergovernmental	2,889	12,957	34,366	-	1,159,753
Charges for services	10,070	-	-	-	352,772
Other	-	-	-	190	11,511
Total receipts	12,959	12,957	34,366	190	2,062,425
Disbursements:					
General government	-	-	-	-	113,892
Public safety	20,629	12,348	26,863	-	64,024
Highways and streets	-	-	-	-	504,465
Sanitation	-	-	-	-	42,929
Culture and recreation	-	-	-	-	238,139
Economic development	-	-	-	-	117,509
Aviation	-	-	-	-	967,842
Debt service:					
Principal	-	-	-	-	147,573
Interest	-	-	-	-	22,510
Total disbursements	20,629	12,348	26,863	-	2,218,883
Excess (deficiency) of receipts over disbursements	(7,670)	609	7,503	190	(156,458)
Other financing sources (uses)					
Interfund loans	-	-	-	-	150,000
Transfers in	-	-	-	16,481	31,481
Transfers out	-	-	-	-	(75,853)
Total other financing sources (uses)	-	-	-	16,481	105,628
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,670)	609	7,503	16,671	(50,830)
Cash and investment fund balance - beginning	26,138	4,175	29,287	-	1,790,516
Cash and investment fund balance - ending	<u>\$ 18,468</u>	<u>\$ 4,784</u>	<u>\$ 36,790</u>	<u>\$ 16,671</u>	<u>\$ 1,739,686</u>
Cash and Investment Assets - December 31					
Cash and investments	\$ -	\$ -	\$ -	\$ 16,671	\$ 83,375
Restricted assets:					
Cash and investments	18,468	4,784	36,790	-	1,656,311
Total cash and investment assets - December 31	<u>\$ 18,468</u>	<u>\$ 4,784</u>	<u>\$ 36,790</u>	<u>\$ 16,671</u>	<u>\$ 1,739,686</u>
Cash and Investment Fund Balance - December 31					
Restricted for:					
General government	\$ -	\$ -	\$ -	\$ -	\$ 23,593
Public safety	18,468	4,784	36,790	-	64,081
Highways and streets	-	-	-	-	247,813
Sanitation	-	-	-	-	21,134
Culture and recreation	-	-	-	-	142,875
Urban redevelopment	-	-	-	-	39,575
Economic development	-	-	-	-	336,277
Aviation	-	-	-	-	221,112
Debt service	-	-	-	-	227,176
Capital outlay	-	-	-	-	332,675
Unrestricted	-	-	-	16,671	83,375
Total cash and investment fund balance - December 31	<u>\$ 18,468</u>	<u>\$ 4,784</u>	<u>\$ 36,790</u>	<u>\$ 16,671</u>	<u>\$ 1,739,686</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2005

	Payroll	Street Cuts	Total
Additions:			
Agency fund additions	1,595,052	4,000	1,599,052
Deductions:			
Agency fund deductions	1,595,052	4,000	1,599,052
Cash and investment fund balance - beginning	-	3,275	3,275
Cash and investment fund balance - ending	\$ -	\$ 3,275	\$ 3,275

CITY OF NORTH VERNON
275 MAIN STREET
NORTH VERNON, IN 47265

COUNCIL MEETINGS – SECOND AND FOURTH MONDAYS

MAYOR – JOHN G HALL
CLERK-TREASURER – ROGER SHORT
ATTORNEY- McCONNELL & FINNERTY
CHIEF OF POLICE – JAMES WEBSTER
STREET COMMISSIONER – RICK MARKSBERRY
FIRE CHIEF – RICK MCGILL
PARK DIRECTOR – CHAD SPEER

COUNCIL MEMBERS: **ALLANE COLBERT**
DAVID KOPITZKE
EUGENE LEEDS, JR.
DAVID SHAW
THOMAS SPEER

CITY OF NORTH VERNON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2005

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Garbage Packer	\$ 86,508	\$ 27,907
Fire Rescue Truck	38,140	7,101
Notes and loans payable:		
Airport Terminal Structure	144,365	18,277
Police Computer Equipment	12,606	5,414
Bonds payable:		
General obligation bonds:		
1996 Swimming Pool	105,000	50,000
1999 Park	135,000	90,000
2004 Fire truck	495,000	165,000
Revenue bonds:		
2003 Redevelopment district tax increment	4,900,000	75,000
Total governmental activities long-term debt	\$ 5,916,619	\$ 438,699
Business-type Activities:		
Water Utility		
Revenue bonds:		
1998 Waterworks	\$ 2,860,000	\$ 90,000
2005 Waterworks	2,455,000	45,000
Total Water Utility	5,315,000	135,000
Wastewater Utility		
Revenue bonds:		
1996 Series B tax increment and sewage works	4,495,000	195,000
2001 Sewage works	1,620,000	50,000
Total Wastewater Utility	6,115,000	245,000
Total business-type activities long-term debt:	\$ 11,430,000	\$ 380,000

CITY OF NORTH VERNON
AUDIT RESULTS AND COMMENTS

OPTICAL IMAGES OF WARRANTS (Applies to Clerk-Treasurer)

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

Indiana Code 5-15-6-3 concerning optical imaging of checks states, in part:

"(a) . . . 'original records' . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . . "

Further, Indiana Code 26-2-8-111 states, in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

ACCOUNTS RECEIVABLE POLICIES (Applies to Water and Wastewater Utility)

We found the following deficiencies regarding the Utilities' procedures on accounts receivable:

1. The Utilities' policy for discontinuing service shown on the customer's payment stub states: "Service discontinued if unpaid after 20th of month". However, the City's practice is to discontinue service after being two months delinquent.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

2. The Utilities do not have a written policy for writing off bad debts, uncollectible accounts receivable or for making adjustments to accounts receivable.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs. Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF NORTH VERNON
AUDIT RESULTS AND COMMENTS
(Continued)

DELINQUENT WASTEWATER ACCOUNTS (Applies to Wastewater Utility)

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.

The Utility Office gave a list of delinquent accounts to the Clerk-Treasurer's office at the end of 2006; however, this list included only delinquent accounts over a one year old and did not include accounts that became delinquent in 2006.

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. . . ."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF NORTH VERNON, JENNINGS COUNTY, INDIANA

Compliance

We have audited the compliance of the City of North Vernon (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2005. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities 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

January 18, 2007

CITY OF NORTH VERNON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2005

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct grant			
Public Safety Partnership and Community Policing Grants COPS In Schools	16.710	2003-SH-WX-0039	\$ 37,023
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster			
State and Community Highway Safety	20.600		
Rural Demonstration Project		OP-05-02,T-03,P-85 FY 05	1,600 <u>1,500</u>
Total for cluster			<u>3,100</u>
Direct grant			
Airport Improvement Program	20.106		
		AIP 3-18-0063-05 AIP 3-18-0063-06	506,045 <u>129,454</u>
Total for program			<u>635,499</u>
Pass-Through Indiana Criminal Justice Institute Safety Incentive Grants for Use of Seatbelts Emergency Gas Awards	20.604	FY 05	<u>200</u>
Total for federal grantor agency			<u>638,799</u>
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security Public Assistance Grants			
Snow Emergency Disaster	97.036	FY 05	<u>30,972</u>
Total for federal grantor agency			<u>30,972</u>
Total federal awards expended			<u>\$ 706,794</u>

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

CITY OF NORTH 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 of North Vernon (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF NORTH VERNON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program

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

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF NORTH VERNON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF NORTH VERNON
EXIT CONFERENCE

The contents of this report were discussed on January 18, 2007, with Roger W. Short, Clerk-Treasurer; John G. Hall, Mayor; David Shaw, President of Common Council; Jack Kelley, Chairman of the Utility Service Board; Deanna Salyers, Utility Office Manager; and Rita L. Elmore, Assistant Clerk-Treasurer. The officials concurred with our audit findings.