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

EXAMINATION REPORT  
OF  
CITY OF NORTH VERNON  
JENNINGS COUNTY, INDIANA  
January 1, 2009 to December 31, 2009



**FILED**  
09/07/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Roger W. Short	01-01-08 to 12-31-11
Mayor	Harold N. Campbell	01-01-08 to 12-31-11
President of the Common Council	David Shaw	01-01-09 to 12-31-10
Chairman of the Utility Service Board	Jack Kelley Michael Marshall	01-01-09 to 12-31-09 01-01-10 to 12-31-10
Superintendent of Water Utility	Mike Hess	01-01-09 to 12-31-10
Superintendent of Wastewater Utility	David McCorvie (Office Vacant) Russell Vaught	01-01-09 to 03-31-09 04-01-09 to 04-12-09 04-13-09 to 12-31-10
Utility Office Manager	Deanna Salyers	01-01-09 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of North Vernon (City), for the period of January 1, 2009 to December 31, 2009. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein 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 financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

July 15, 2010

CITY OF NORTH VERNON  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
<b>Governmental Funds:</b>				
General	\$ 735,210	\$ 2,007,417	\$ 2,777,241	\$ (34,614)
Redevelopment Commission Number 1	3,237,012	1,976,040	3,489,031	1,724,021
Redevelopment Commission Number 2	1,334,836	2,123,447	2,185,478	1,272,805
Motor Vehicle Highway	184,059	404,685	451,018	137,726
Local Road and Street	44,182	28,383	41,635	30,930
County Economic Development Income Tax	134,997	249,460	70,000	314,457
Park and Recreation	70,996	79,556	143,466	7,086
Cemetery	21,971	21,229	34,801	8,399
Aviation	45,549	110,008	133,731	21,826
Railroad Nonreverting	203	7,676	8,057	(178)
Riverboat	157,032	40,771	-	197,803
Aviation Grant #3-18-0063-07	5,535	6,192	11,727	-
Aviation - Bishop Hangar	7,897	131,616	132,663	6,850
Fire Department Nonreverting	3,546	6,328	7,769	2,105
Cumulative Capital Development	207,441	41,801	56,505	192,737
Debt Bond Service	(4,323)	128,755	116,139	8,293
Park Nonreverting Operating	16,059	49,610	61,954	3,715
Aviation Rotary	36,001	233,761	179,973	89,789
Alarm Fee Nonreverting	2,919	1,165	1,219	2,865
Concession	7,675	44,637	48,333	3,979
Impound Fee Nonreverting	4,395	2,880	-	7,275
Aviation Grant #3-18-0063-08	89,686	10,589	100,213	62
Aviation Grant #3-18-0063-05	2,233	-	-	2,233
Aviation Grant #3-18-0063-09	17,651	56,079	19,141	54,589
Aviation A.W.O.S	77	-	-	77
Aviation NVIC Hangar	-	5,850	4,500	1,350
Aviation Grant #3-18-0063-10	-	16,625	-	16,625
Aviation Grant #3-18-0063-12	-	76,781	68,598	8,183
North Vernon Education & Training Center	58,011	158,992	118,331	98,672
Rainy Day	36,547	-	-	36,547
Greensburg Street Phase I & II	234,400	-	-	234,400
Hayden Pike	428,785	55,297	283,403	200,679
Waste Disposal and Recycling Fee	44,408	113,979	95,494	62,893
North Vernon Community Development	335,132	-	43,307	291,825
Cumulative Capital Improvement	75,487	19,977	15,000	80,464
Police Donation	3,379	-	-	3,379
Hillcrest Cemetery	7,000	-	-	7,000
Downtown Revitalization Project	23,423	167	23,590	-
Law Enforcement Continuing Education	24,268	12,500	22,456	14,312
Police Drug Task Force	14,969	9,373	10,415	13,927
Police Grants	-	4,641	1,641	3,000
IN Housing Grant #HD-008-010	-	137,029	113,547	23,482
CDBG Grant #PL-05-060	-	29,700	29,700	-
Micro-Enterprise #MP-07-005	-	40,000	40,000	-
<b>Proprietary Funds:</b>				
Water Utility - Operating	518,337	2,198,965	1,863,427	853,875
Water Utility - Improvement	555,361	129,851	356,302	328,910
Water Utility - Debt Service Reserve	522,355	-	-	522,355
Water Utility - Bond and Interest	216,213	325,122	323,425	217,910
Water Utility - Bond and Interest '05	8,913	203,196	202,905	9,204
Water Utility - Depreciation	415,427	54,351	53	469,725
Water Utility - Customer Deposit	84,800	36,300	27,045	94,055
Wastewater Utility - Operating	758,416	1,532,739	1,392,318	898,837
Wastewater Utility - Debt Service Reserve	574,183	-	-	574,183
Wastewater Utility - Bond and Interest	647,002	269,815	244,476	672,341
Wastewater Utility - Depreciation	615,413	12,057	144,236	483,234
Wastewater Utility - Capacity	338,106	12,700	35,810	314,996
Wastewater Utility - Construction	654,850	4,580	293,130	366,300
<b>Fiduciary Funds:</b>				
Payroll	(40)	2,624,927	2,624,887	-
Street Cut	6,000	500	1,500	5,000
Bansal Construction Retainage	2,729	-	2,729	-
Dave O'Mara Construction Retainage	6,445	114,265	93,729	26,981
Brooks and Earl Construction Retainage	9,852	17,524	9,852	17,524
Bradshaw Building Spec. Retainage	-	13,485	1,606	11,879
K & K Fence Company Retainage	-	3,430	-	3,430
Police Pension Trust	86,355	115,798	93,480	108,673
<b>Totals</b>	<b>\$ 13,669,365</b>	<b>\$ 16,112,601</b>	<b>\$ 18,650,986</b>	<b>\$ 11,130,980</b>

The accompanying notes are an integral part of the financial information.

CITY OF NORTH VERNON  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City 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 urban redevelopment and economic development.

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.

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 NORTH VERNON  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. 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 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.

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.

CITY OF NORTH VERNON  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 7. Subsequent Event

In March, 2010, the City signed a Memorandum of Agreement with the Indiana National Guard for the short term use of land owned by the City. The Indiana National Guard is to use the land to conduct low intensity operational training by simulating command and convoy operations by creating a Contingency Operating Base (COB) on the land. The short term use is expected to be for a time period of five years with the use agreement to be on an annual basis. The parties reserve the right to exercise options to renew the annual commitment for a period up to five years. The Indiana National Guard agrees to pay a reasonable fee for use of the land in the amount of \$25,000 per month with payments being made quarterly beginning December 1, 2009.

In April, 2010, the City passed Ordinance No. 905-2010 authorizing the issuance of waterworks revenue bonds for the purpose of providing funds to pay the cost of certain additions, extensions and improvements to the municipal waterworks of the City. The total amount of the project is estimated to be \$1,800,000. \$600,000 will be funded from a grant through the Office of Community and Rural Affairs. The remaining balance of \$1,200,000 will be funded by the bond issue administered through the Indiana Finance Authority and will be known as Waterworks Revenue Bonds of 2010.

In April, 2010, the City passed Ordinance No. 906-2010 authorizing the issuance of Waterworks Refunding Revenue Bonds of 2010 for the purpose of refunding its Waterworks Revenue Bonds of 1998 in an aggregate principal amount not to exceed \$2,005,000.

In April, 2010, the City passed Ordinance No. 907-2010 authorizing the issuance of waterworks revenue bonds to pay the cost of engineering services for the waterworks improvement project. The estimated amount of \$500,000 will be administered by the Indiana Finance Authority and made available to the City in the form of a loan.

CITY OF NORTH VERNON  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended December 31, 2009

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,994,384
Infrastructure	7,352,641
Easements	1,140,050
Buildings	6,653,678
Improvements other than buildings	7,955,004
Machinery and equipment	<u>6,000,591</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 32,096,348</u>
<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 14,300
Buildings	245,717
Improvements other than buildings	8,771,934
Machinery and equipment	<u>207,481</u>
Total Water Utility capital assets	<u>9,239,432</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	91,962
Buildings	325,000
Improvements other than buildings	19,993,182
Machinery and equipment	<u>717,786</u>
Total Wastewater Utility capital assets	<u>21,127,930</u>
Total business-type activities capital assets	<u>\$ 30,367,362</u>

CITY OF NORTH VERNON  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2009

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Fire rescue truck	\$ 8,174	\$ 8,392
Notes and loans payable		
Airport terminal structure	66,758	24,059
Bonds payable:		
General obligation bonds:		
2004 Fire truck	120,792	127,648
2007 Police cars	190,252	34,865
Revenue bonds:		
2003 Redevelopment district tax increment	4,535,000	231,244
2006 Redevelopment district tax increment	<u>1,505,000</u>	<u>255,201</u>
<b>Total governmental activities debt</b>	<b><u>\$ 6,425,976</u></b>	<b><u>\$ 681,409</u></b>
Business-type activities:		
Water Utility:		
Revenue bonds:		
1998 Waterworks	\$ 2,080,000	\$ 157,683
2005 Waterworks	<u>2,050,000</u>	<u>99,940</u>
<b>Total Water Utility</b>	<b><u>4,130,000</u></b>	<b><u>257,623</u></b>
Wastewater Utility:		
Revenue bonds:		
2006 Tax increment and sewage works revenue	660,000	69,895
2006 Tax increment and sewage works refunding	<u>5,535,000</u>	<u>493,418</u>
<b>Total Wastewater Utility</b>	<b><u>6,195,000</u></b>	<b><u>563,313</u></b>
<b>Total business-type activities debt</b>	<b><u>\$ 10,325,000</u></b>	<b><u>\$ 820,936</u></b>

CITY OF NORTH VERNON  
EXIT CONFERENCE

The contents of this report were discussed on July 15, 2010, with Harold N. Campbell, Mayor; Roger W. Short, Clerk-Treasurer; Rita Elmore, Deputy Clerk-Treasurer; and Deanna Salyers, Utility Office Manager. Our examination disclosed no material items that warrant comment at this time.