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

ANNUAL FINANCIAL REPORT

2009

CITY OF MOUNT VERNON

POSEY COUNTY, INDIANA



**FILED**  
09/27/2010



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cristi Sitzman	01-01-08 to 12-31-11
Mayor	John Tucker	01-01-08 to 12-31-11
President of the Board of Public Works	John Tucker	01-01-08 to 12-31-11
President of the Common Council	Bill Curtis	01-01-09 to 12-31-10
President of the Utility Service Board	Bill Curtis	01-01-09 to 12-31-10
Superintendent of Water Utility	Chuck Gray	01-01-09 to 12-31-10
Superintendent of Wastewater Utility:		
Plant	Rodney Givens	01-01-09 to 12-31-10
Operations	Danny Moss	01-01-09 to 12-31-10
Pre-Treatment	Dennis Givens	01-01-09 to 12-31-10
Utility Bookkeeper	Wanda Bennett	01-01-09 to 12-31-10



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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 MOUNT VERNON, POSEY 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 Mount Vernon (City), as of and for the year ended December 31, 2009, 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, 2009, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated August 26, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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.

The City has not presented Management's Discussion and Analysis, Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, 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, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts 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 Capital Assets and Schedule of Long-Term Debt have 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 them.

STATE BOARD OF ACCOUNTS

August 26, 2010



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mount Vernon (City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 26, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the City's management, the Common Council, Board of Public Works, Utility Service Board 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

August 26, 2010

CITY OF MOUNT VERNON  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2009

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	Totals
Primary government:							
Governmental activities:							
General government	\$ 1,092,267	\$ 200,274	\$ -	\$ -	\$ (891,993)	\$ -	\$ (891,993)
Public safety	1,385,596	135,585	-	-	(1,250,011)	-	(1,250,011)
Highways and streets	833,286	7,357	193,609	30,250	(602,070)	-	(602,070)
Sanitation	591,545	332,077	-	-	(259,468)	-	(259,468)
Health and welfare	65,885	385	-	-	(65,500)	-	(65,500)
Economic development	188,689	-	-	19,400	(169,289)	-	(169,289)
Culture and recreation	583,156	38,881	-	-	(544,275)	-	(544,275)
Principal and interest on indebtedness	2,989,787	-	-	-	(2,989,787)	-	(2,989,787)
Total governmental activities	<u>7,730,211</u>	<u>714,559</u>	<u>193,609</u>	<u>49,650</u>	<u>(6,772,393)</u>	<u>-</u>	<u>(6,772,393)</u>
Business-type activities:							
Wastewater Utility	2,149,501	1,468,733	-	-	-	(680,768)	(680,768)
Water Utility	4,311,468	2,410,494	-	-	-	(1,900,974)	(1,900,974)
Total business-type activities	<u>6,460,969</u>	<u>3,879,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,581,742)</u>	<u>(2,581,742)</u>
Total primary government	<u>\$ 14,191,180</u>	<u>\$ 4,593,786</u>	<u>\$ 193,609</u>	<u>\$ 49,650</u>	<u>(6,772,393)</u>	<u>(2,581,742)</u>	<u>(9,354,135)</u>
General receipts:							
Property taxes					3,681,719	-	3,681,719
Intergovernmental					609,422	-	609,422
Other local sources					246,361	-	246,361
Net proceeds from borrowings					2,235,794	-	2,235,794
Grants and contributions not restricted to specific programs					111,863	-	111,863
Investment earnings					323	4,846	5,169
Interfund loans					15,000	-	15,000
Total general receipts and interfund loans					<u>6,900,482</u>	<u>4,846</u>	<u>6,905,328</u>
Change in net assets					128,089	(2,576,896)	(2,448,807)
Net assets - beginning					<u>1,323,705</u>	<u>5,383,665</u>	<u>6,707,370</u>
Net assets - ending					<u>\$ 1,451,794</u>	<u>\$ 2,806,769</u>	<u>\$ 4,258,563</u>
<u>Assets</u>							
Cash and investments					\$ 1,382,062	\$ 433,912	\$ 1,815,974
Restricted assets:							
Cash and investments					<u>69,732</u>	<u>2,372,857</u>	<u>2,442,589</u>
Total assets					<u>\$ 1,451,794</u>	<u>\$ 2,806,769</u>	<u>\$ 4,258,563</u>
<u>Net Assets</u>							
Restricted for:							
Highways and streets					\$ 12,512	\$ -	\$ 12,512
Culture and recreation					6,711	-	6,711
Debt service					-	1,862,722	1,862,722
Capital outlay					50,509	-	50,509
Other purposes					-	510,135	510,135
Unrestricted					<u>1,382,062</u>	<u>433,912</u>	<u>1,815,974</u>
Total net assets					<u>\$ 1,451,794</u>	<u>\$ 2,806,769</u>	<u>\$ 4,258,563</u>

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

CITY OF MOUNT 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, 2009

	General	Motor Vehicle Highway	Parks And Recreation	Other Governmental Funds	Totals
<b>Receipts:</b>					
Taxes	\$ 2,322,199	\$ 581,712	\$ 536,676	\$ 71,752	\$ 3,512,339
Licenses and permits	5,035	80	-	-	5,115
Intergovernmental	319,143	355,244	18,761	632,719	1,325,867
Charges for services	399,053	9,349	42,433	30,897	481,732
Fines and forfeits	20,241	-	-	891	21,132
Interfund loans	200,000	30,000	158,000	60,000	448,000
Other	9,848	312	21,411	104,486	136,057
<b>Total receipts</b>	<b>3,275,519</b>	<b>976,697</b>	<b>777,281</b>	<b>900,745</b>	<b>5,930,242</b>
<b>Disbursements:</b>					
General government	634,826	-	-	272,397	907,223
Public safety	1,353,168	-	-	6,100	1,359,268
Highways and streets	-	755,763	-	29,741	785,504
Sanitation	544,909	-	-	-	544,909
Health and welfare	55,885	-	-	-	55,885
Economic development	-	-	-	188,689	188,689
Culture and recreation	19,980	-	542,615	18,266	580,861
Interfund loans	200,000	30,000	110,000	73,000	413,000
Debt service:					
Principal	2,370,549	391,146	155,529	46,085	2,963,309
Interest	14,969	5,600	5,128	781	26,478
Capital outlay:					
General government	-	-	-	80,907	80,907
Public safety	26,328	-	-	-	26,328
Highways and streets	-	47,782	-	-	47,782
Sanitation	46,636	-	-	-	46,636
Health and welfare	10,000	-	-	-	10,000
Culture and recreation	-	-	2,295	-	2,295
<b>Total disbursements</b>	<b>5,277,250</b>	<b>1,230,291</b>	<b>815,567</b>	<b>715,966</b>	<b>8,039,074</b>
Excess (deficiency) of receipts over disbursements	(2,001,731)	(253,594)	(38,286)	184,779	(2,108,832)
<b>Other financing sources (uses):</b>					
Net proceeds from borrowings	1,894,479	214,031	108,378	18,906	2,235,794
<b>Total other financing sources (uses)</b>	<b>1,894,479</b>	<b>214,031</b>	<b>108,378</b>	<b>18,906</b>	<b>2,235,794</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(107,252)	(39,563)	70,092	203,685	126,962
Cash and investment fund balance - beginning	786,147	158,708	90,529	279,683	1,315,067
Cash and investment fund balance - ending	<u>\$ 678,895</u>	<u>\$ 119,145</u>	<u>\$ 160,621</u>	<u>\$ 483,368</u>	<u>\$ 1,442,029</u>
<b><u>Cash and Investment Assets - Ending</u></b>					
Cash and investments	\$ 678,895	\$ -	\$ -	\$ -	\$ 678,895
Restricted assets:					
Cash and investments	-	119,145	160,621	483,368	763,134
<b>Total cash and investment assets - ending</b>	<u>\$ 678,895</u>	<u>\$ 119,145</u>	<u>\$ 160,621</u>	<u>\$ 483,368</u>	<u>\$ 1,442,029</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>					
Restricted for:					
Highways and streets	\$ -	\$ 119,145	\$ -	\$ 12,512	\$ 131,657
Culture and recreation	-	-	160,621	6,711	167,332
Capital outlay	-	-	-	50,509	50,509
Other purposes	-	-	-	413,636	413,636
Unrestricted	678,895	-	-	-	678,895
<b>Total cash and investment fund balance - ending</b>	<u>\$ 678,895</u>	<u>\$ 119,145</u>	<u>\$ 160,621</u>	<u>\$ 483,368</u>	<u>\$ 1,442,029</u>

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

CITY OF MOUNT 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, 2009

	Wastewater Utility	Water Utility	Totals
Operating receipts:			
Metered/measured	\$ 1,341,008	\$ 2,008,746	\$ 3,349,754
Fire protection receipts	-	277,974	277,974
Fees	6,700	7,810	14,510
Penalties	26,154	23,350	49,504
Interfund loan proceeds	-	751,500	751,500
Miscellaneous	94,871	92,614	187,485
	<u>1,468,733</u>	<u>3,161,994</u>	<u>4,630,727</u>
Total operating receipts			
Operating disbursements:			
Salaries and wages	401,280	566,525	967,805
Employee pensions and benefits	65,333	112,063	177,396
Sludge removal	3,467	-	3,467
Purchased power	160,018	354,566	514,584
Fuel for power production	41,193	-	41,193
Chemicals	10,845	124,382	135,227
Material and supplies	61,708	135,767	197,475
Contractual services	93,201	169,099	262,300
Rents	-	2,450	2,450
Transportation	21,170	22,409	43,579
Insurance claims and expense	22,292	64,558	86,850
Refunds	6,612	18,383	24,995
Equipment and capital improvements	812,049	1,359,502	2,171,551
Interfund loans made/repaid	-	751,500	751,500
Miscellaneous	97,047	220,928	317,975
	<u>1,796,215</u>	<u>3,902,132</u>	<u>5,698,347</u>
Total operating disbursements			
Deficiency of operating receipts over operating disbursements	<u>(327,482)</u>	<u>(740,138)</u>	<u>(1,067,620)</u>
Nonoperating receipts (disbursements):			
Investment income	1,050	3,796	4,846
Debt service of principal	(275,000)	(652,843)	(927,843)
Interest disbursements	(78,286)	(507,993)	(586,279)
	<u>(352,236)</u>	<u>(1,157,040)</u>	<u>(1,509,276)</u>
Total nonoperating receipts (disbursements)			
Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	(679,718)	(1,897,178)	(2,576,896)
Cash and investment fund balance - beginning	<u>1,901,807</u>	<u>3,481,858</u>	<u>5,383,665</u>
Cash and investment fund balance - ending	<u>\$ 1,222,089</u>	<u>\$ 1,584,680</u>	<u>\$ 2,806,769</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 305,510	\$ 128,402	\$ 433,912
Restricted assets:			
Cash and investments	<u>916,579</u>	<u>1,456,278</u>	<u>2,372,857</u>
Total cash and investment assets - December 31	<u>\$ 1,222,089</u>	<u>\$ 1,584,680</u>	<u>\$ 2,806,769</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 853,586	\$ 1,009,136	\$ 1,862,722
Other purposes	62,993	447,142	510,135
Unrestricted	<u>305,510</u>	<u>128,402</u>	<u>433,912</u>
Total cash and investment fund balance - December 31	<u>\$ 1,222,089</u>	<u>\$ 1,584,680</u>	<u>\$ 2,806,769</u>

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

CITY OF MOUNT VERNON  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND  
CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2009

	Pension Trust Funds	Agency Funds
Additions:		
Contributions:		
Employer	\$ 105,748	
State	212,466	
Total additions	318,214	
Deductions:		
Loans	35,000	
Administrative and general	202,173	
Total deductions	237,173	
Excess of total additions over total deductions	81,041	
Cash and investment fund balance - beginning	170,247	
Cash and investment fund balance - ending	\$ 251,288	\$ 30,309

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

CITY OF MOUNT 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, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban redevelopment.

The City's financial reporting entity is composed of the following:

Primary Government: City of Mount Vernon

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 nonexchange 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 motor vehicle highway fund accounts primarily for the use of the allocation received from the State of Indiana to be used for the construction, repair and maintenance of the City's streets.

The park and recreation fund accounts for expenditures for the City operated park facilities. Funding is provided from a property tax levy and fees charged for use of the park facilities.

CITY OF MOUNT VERNON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The City reports the following major enterprise funds:

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

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 funds account for the activities of the 1925 police officers' and 1937 firefighters' pension plans, which accumulate resources for pension benefit payments.

Agency funds account for assets held by the City as an agent for federal and state revenue agencies and serve as control of accounts for cash transactions during the time they are a liability to 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 its enterprise funds. 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.

CITY OF MOUNT VERNON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the City in June and in 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. 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 may become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

4. 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.

5. Long-Term Debt

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

CITY OF MOUNT VERNON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

6. 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."

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.

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 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 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.

CITY OF MOUNT VERNON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

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

1. 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 loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity – Resource flows between the primary government and the discretely-presented component units are reported as if they were external transactions and are classified separately from internal activities within the primary government. The City has no component units.

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. Prior to November 1, the governing board, through the passage of a resolution/ ordinance, approves 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.

CITY OF MOUNT VERNON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

III. Detailed Notes on All Funds

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. IC 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. The City does not have a deposit policy for custodial credit risk. At December 31, 2009, the City had deposit balances in the amount of \$4,530,397.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

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; job related illnesses or injuries to employees and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Conduit Debt Obligation

The City has issued conduit debt (no commitment debt) to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying notes to the financial statements.

As of December 31, 2009, the aggregate principal amount payable for series issued on or after July 1, 2004, was \$116,600,000. The aggregate principal amount payable for series issued prior to July 1, 2004, could not be determined; however, their original issue amounts totaled \$62,000,000.

CITY OF MOUNT VERNON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Rate Structure – Enterprise Funds

Water Utility

On June 10, 1991, the City Council adopted Ordinance 91-20 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on November 23, 2009.

Wastewater Utility

The current rate structure was approved by the City Council on July 13, 2009.

D. Receipts Pledged

Water Utility Receipts Pledged

The City has pledged future operating receipts, net of specified operating expenditures, to repay revenue bonds issued in 1997. Proceeds from the bonds provided financing for waterworks projects and refunding of prior issues. The bonds are payable solely from operating receipts net receipts and are payable through 2012.

Wastewater Utility Receipts Pledged

The City has pledged future operating receipts, net of specified operating expenditures, to repay revenue bonds issued in 2001. Proceeds from the bonds provided financing for wastewater improvement projects and refunding of prior issues. The bonds are payable solely from operating receipts net receipts and are payable through 2011.

E. Subsequent Events

In June, 2010, the City was awarded an additional grant for the riverfront improvement project. This \$300,000 Community Focus Fund grant is for the demolition of the silo on the riverfront.

In June 2010, the Water Utility received \$500,000 from Aventine as a reimbursement of water improvements made by the Utility to accommodate Aventine's water supply needs.

F. Pension Plan

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

a. 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.

CITY OF MOUNT VERNON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy

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

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11. The State of Indiana has contributed \$6,705 on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

b. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' 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 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

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

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11. The State of Indiana has contributed \$6,442 on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

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.

CITY OF MOUNT VERNON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

Funding Policy

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 during the period were \$158,949.

CITY OF MOUNT 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, 2009

	Local Road And Street	Park Nonreverting Operating	Donations	Abandoned Vehicle	Law Enforcement Continuing Education	Rainy Day	Economic Development Commission
<b>Receipts:</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	26,701	-	-	-	-	89,360	-
Charges for services	-	20,555	-	-	4,635	-	-
Fines and forfeits	-	-	-	-	891	-	-
Interfund loans	20,000	10,000	-	-	-	20,000	-
Other	-	-	4,885	-	760	87,011	10,000
<b>Total receipts</b>	<b>46,701</b>	<b>30,555</b>	<b>4,885</b>	<b>-</b>	<b>6,286</b>	<b>196,371</b>	<b>10,000</b>
<b>Disbursements:</b>							
General government	-	-	3,681	-	-	66,969	-
Public safety	-	-	-	-	6,100	-	-
Highways and streets	29,741	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	18,266	-	-	-	-	-
Interfund loans	20,000	23,000	-	-	-	20,000	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>49,741</b>	<b>41,266</b>	<b>3,681</b>	<b>-</b>	<b>6,100</b>	<b>86,969</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	(3,040)	(10,711)	1,204	-	186	109,402	10,000
<b>Other financing sources (uses):</b>							
Net proceeds from borrowings	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,040)	(10,711)	1,204	-	186	109,402	10,000
Cash and investment fund balance - beginning	15,552	17,422	2,835	2,501	8,843	46,094	4,628
Cash and investment fund balance - ending	<u>\$ 12,512</u>	<u>\$ 6,711</u>	<u>\$ 4,039</u>	<u>\$ 2,501</u>	<u>\$ 9,029</u>	<u>\$ 155,496</u>	<u>\$ 14,628</u>
<b>Cash and Investment Assets - Ending</b>							
<b>Restricted assets:</b>							
Cash and investments	\$ 12,512	\$ 6,711	\$ 4,039	\$ 2,501	\$ 9,029	\$ 155,496	\$ 14,628
<b>Total cash and investment assets - ending</b>	<b>\$ 12,512</b>	<b>\$ 6,711</b>	<b>\$ 4,039</b>	<b>\$ 2,501</b>	<b>\$ 9,029</b>	<b>\$ 155,496</b>	<b>\$ 14,628</b>
<b>Cash and Investment Fund Balance - Ending</b>							
<b>Restricted for:</b>							
Highways and streets	\$ 12,512	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	6,711	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other purposes	-	-	4,039	2,501	9,029	155,496	14,628
<b>Total cash and investment fund balance - ending</b>	<b>\$ 12,512</b>	<b>\$ 6,711</b>	<b>\$ 4,039</b>	<b>\$ 2,501</b>	<b>\$ 9,029</b>	<b>\$ 155,496</b>	<b>\$ 14,628</b>

CITY OF MOUNT 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, 2009  
 (Continued)

	State Gaming	EWSF	MVH II	Project Fun	Survival Life Trailer	BB Pool Lghts	Downtown Plan
<b>Receipts:</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	46,798	-	11,193	-	-	-	19,400
Charges for services	-	-	-	-	-	-	395
Fines and forfeits	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	-	1	-	-	-	-	1,150
<b>Total receipts</b>	<b>46,798</b>	<b>1</b>	<b>11,193</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,945</b>
<b>Disbursements:</b>							
General government	18,464	-	2,480	115	-	-	21,267
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>18,464</b>	<b>-</b>	<b>2,480</b>	<b>115</b>	<b>-</b>	<b>-</b>	<b>21,267</b>
Excess (deficiency) of receipts over disbursements	28,334	1	8,713	(115)	-	-	(322)
<b>Other financing sources (uses):</b>							
Net proceeds from borrowings	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	28,334	1	8,713	(115)	-	-	(322)
Cash and investment fund balance - beginning	38,031	9,800	4,160	479	32	9	953
Cash and investment fund balance - ending	\$ 66,365	\$ 9,801	\$ 12,873	\$ 364	\$ 32	\$ 9	\$ 631
<b>Cash and Investment Assets - Ending</b>							
<b>Restricted assets:</b>							
Cash and investments	\$ 66,365	\$ 9,801	\$ 12,873	\$ 364	\$ 32	\$ 9	\$ 631
<b>Total cash and investment assets - ending</b>	<b>\$ 66,365</b>	<b>\$ 9,801</b>	<b>\$ 12,873</b>	<b>\$ 364</b>	<b>\$ 32</b>	<b>\$ 9</b>	<b>\$ 631</b>
<b>Cash and Investment Fund Balance - Ending</b>							
<b>Restricted for:</b>							
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other purposes	66,365	9,801	12,873	364	32	9	631
<b>Total cash and investment fund balance - ending</b>	<b>\$ 66,365</b>	<b>\$ 9,801</b>	<b>\$ 12,873</b>	<b>\$ 364</b>	<b>\$ 32</b>	<b>\$ 9</b>	<b>\$ 631</b>

CITY OF MOUNT 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, 2009  
 (Continued)

	Crow Population	COIT	Tax Incremental Financing	Cumulative Capital Development	Cumulative Capital Improvement	Totals
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ 71,752	\$ -	\$ 71,752
Intergovernmental	-	223,212	188,689	4,436	22,930	632,719
Charges for services	-	-	-	5,312	-	30,897
Fines and forfeits	-	-	-	-	-	891
Interfund loans	-	-	-	-	10,000	60,000
Other	-	679	-	-	-	104,486
<b>Total receipts</b>	<b>-</b>	<b>223,891</b>	<b>188,689</b>	<b>81,500</b>	<b>32,930</b>	<b>900,745</b>
<b>Disbursements:</b>						
General government	-	157,277	-	2,144	-	272,397
Public safety	-	-	-	-	-	6,100
Highways and streets	-	-	-	-	-	29,741
Economic development	-	-	188,689	-	-	188,689
Culture and recreation	-	-	-	-	-	18,266
Interfund loans	-	-	-	-	10,000	73,000
Debt service:						
Principal	-	-	-	46,085	-	46,085
Interest	-	-	-	781	-	781
Capital outlay:						
General government	-	-	-	66,618	14,289	80,907
<b>Total disbursements</b>	<b>-</b>	<b>157,277</b>	<b>188,689</b>	<b>115,628</b>	<b>24,289</b>	<b>715,966</b>
Excess (deficiency) of receipts over disbursements	-	66,614	-	(34,128)	8,641	184,779
<b>Other financing sources (uses):</b>						
Net proceeds from borrowings	-	-	-	18,906	-	18,906
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,906</b>	<b>-</b>	<b>18,906</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	66,614	-	(15,222)	8,641	203,685
Cash and investment fund balance - beginning	80	71,174	-	41,043	16,047	279,683
Cash and investment fund balance - ending	<u>\$ 80</u>	<u>\$ 137,788</u>	<u>\$ -</u>	<u>\$ 25,821</u>	<u>\$ 24,688</u>	<u>\$ 483,368</u>
<u>Cash and Investment Assets - Ending</u>						
<b>Restricted assets:</b>						
Cash and investments	\$ 80	\$ 137,788	\$ -	\$ 25,821	\$ 24,688	\$ 483,368
<b>Total cash and investment assets - ending</b>	<u>\$ 80</u>	<u>\$ 137,788</u>	<u>\$ -</u>	<u>\$ 25,821</u>	<u>\$ 24,688</u>	<u>\$ 483,368</u>
<u>Cash and Investment Fund Balance - Ending</u>						
<b>Restricted for:</b>						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,512
Culture and recreation	-	-	-	-	-	6,711
Capital outlay	-	-	-	25,821	24,688	50,509
Other purposes	80	137,788	-	-	-	413,636
<b>Total cash and investment fund balance - ending</b>	<u>\$ 80</u>	<u>\$ 137,788</u>	<u>\$ -</u>	<u>\$ 25,821</u>	<u>\$ 24,688</u>	<u>\$ 483,368</u>

CITY OF MOUNT VERNON  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PENSION TRUST FUNDS  
 For The Year Ended December 31, 2009

	Police Pension	Fire Pension	Totals
Additions:			
Contributions:			
Employer	\$ 24,929	\$ 80,819	\$ 105,748
State	107,933	104,533	212,466
	<u>132,862</u>	<u>185,352</u>	<u>318,214</u>
Total additions			
Deductions:			
Loans	35,000	-	35,000
Administrative and general	95,788	106,385	202,173
	<u>130,788</u>	<u>106,385</u>	<u>237,173</u>
Total deductions			
Excess of total additions over total deductions	2,074	78,967	81,041
Cash and investment fund balance - beginning	<u>88,269</u>	<u>81,978</u>	<u>170,247</u>
Cash and investment fund balance - ending	<u>\$ 90,343</u>	<u>\$ 160,945</u>	<u>\$ 251,288</u>

CITY OF MOUNT VERNON  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS,  
 AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2009

	<u>Payroll</u>	<u>Insurance</u>	<u>Totals</u>
Additions:			
Agency fund additions	\$ 3,113,907	\$ 105,264	\$ 3,219,171
Deductions:			
Agency fund deductions	<u>3,111,666</u>	<u>104,137</u>	<u>3,215,803</u>
Excess (deficiency) of total additions over total deductions	2,241	1,127	3,368
Cash and investment fund balance - beginning	<u>18,303</u>	<u>8,638</u>	<u>26,941</u>
Cash and investment fund balance - ending	<u>\$ 20,544</u>	<u>\$ 9,765</u>	<u>\$ 30,309</u>

CITY OF MOUNT 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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 338,651
Buildings	1,546,757
Improvements other than buildings	172,627
Machinery and equipment	<u>3,272,395</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 5,330,430</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	<u>\$ 106,624</u>
Capital assets, being depreciated:	
Infrastructure	9,368,056
Buildings	5,687,907
Improvements other than buildings	15,849,028
Machinery and equipment	<u>5,312,873</u>
Total Water Utility capital assets, being depreciated	<u>36,217,864</u>
Total Water Utility capital assets	<u>36,324,488</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	44,940
Construction in progress	<u>1,921,585</u>
Total Wastewater Utility capital assets, not being depreciated	<u>1,966,525</u>
Capital assets, being depreciated:	
Infrastructure	11,967,384
Buildings	1,895,285
Improvements other than buildings	7,694,567
Machinery and equipment	<u>5,022,009</u>
Total Wastewater Utility capital assets, being depreciated	<u>26,579,245</u>
Total Wastewater Utility capital assets	<u>28,545,770</u>
Total business-type activities capital assets	<u>\$ 64,870,258</u>

CITY OF MOUNT 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 lease:		
Fire truck	\$ 241,304	\$ 66,618
Police cars	18,900	19,816
Dump truck	78,111	21,641
Lightning loader	112,022	24,507
Note payable:		
Tax anticipation warrants	<u>598,462</u>	<u>604,414</u>
Total governmental activities debt	<u>\$ 1,048,799</u>	<u>\$ 736,996</u>
Business-type activities:		
Water Utility:		
Capital leases:		
Meter replacement and other improvements project	\$ 1,798,595	\$ 178,691
Revenue bonds:		
1997 revenue bonds	1,135,000	243,155
State revolving loan payable:		
2001 water rehabilitation projects	2,799,949	134,000
Notes payable:		
2008 bond anticipation notes payable	<u>6,640,000</u>	<u>6,640,000</u>
Total Water Utility	<u>12,373,544</u>	<u>7,195,846</u>
Wastewater Utility:		
Capital leases:		
Camera truck	95,728	35,000
Revenue bonds:		
2001 refunding revenue bonds	375,000	203,565
State revolving loan:		
2001 wastewater rehabilitation projects	1,412,118	139,875
2006 wastewater rehabilitation projects	354,957	27,240
2009 wastewater rehabilitation projects	<u>1,756,212</u>	<u>-</u>
Total Wastewater Utility	<u>3,994,015</u>	<u>405,680</u>
Total business-type activities debt	<u>\$ 16,367,559</u>	<u>\$ 7,601,526</u>

CITY OF MOUNT VERNON  
AUDIT RESULTS AND COMMENTS

DELINQUENT WASTEWATER ACCOUNTS (Applies to Wastewater Utility)

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

IC 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. . . ."

CITY OF MOUNT VERNON  
AUDIT RESULTS AND COMMENTS  
(Continued)

ACCOUNTS RECEIVABLE (Applies to Water and Wastewater Utilities)

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

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ACCOUNTABLE ITEMS (Applies to Water and Wastewater Utilities)

We noted a loss of approximately 41% percent in the amount of water pumped by the Water Utility as compared to water consumption billed to customers for the year 2009. Because the Wastewater charges are computed on water consumption, the Wastewater Utility is losing revenue as well.

Similar comments have appeared in several prior reports.

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

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](http://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 MOUNT VERNON, POSEY COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Mount 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, 2009. 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 of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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, 2009.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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)

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the City's management, the Common Council, Board of Public Works, Utility Service Board 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

August 26, 2010

CITY OF MOUNT VERNON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2009

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Office of Community and Rural Affairs Community Development Block Grants/State's Program Community Focus Fund Planning Grant	14.228	PL-07-003	\$ <u>19,400</u>
Total for Federal Grantor Agency			<u>19,400</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458	WW 06496502	702,485
Pass-Through Indiana Finance Authority ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458	2W-00E73001-0	<u>424,000</u>
Total for Federal Grantor Agency			<u>1,126,485</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1828	<u>43,365</u>
Total for Federal Grantor Agency			<u>43,365</u>
Total Federal Awards Expended			<u>\$ 1,189,250</u>

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

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

Basis of Presentation

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

CITY OF MOUNT VERNON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
 Material weaknesses identified? no  
 Significant deficiencies 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  
 Significant deficiencies 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
66.458	Capitalization Grant for Clean Water State Revolving Funds
66.458	ARRA – Capitalization Grant for Clean Water State Revolving Funds

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CRISTI L. SITZMAN  
CLERK-TREASURER  
CITY OF MOUNT VERNON  
520 MAIN ST - CITY HALL ANNEX  
MOUNT VERNON, IN 47620  
812-838-3317; 812-838-8701 (F)

August 26, 2010

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NO. 2007-1

Federal Agency: U.S. Environmental Protection Agency

Federal Programs: Capitalization Grants for Clean Water State Revolving Funds

Capitalization Grants for Drinking Water State Revolving Funds

CFDA numbers: 66.458

66.468

Federal Award Numbers: CS182331 01

DW 10117501

Auditee Contact Person: Cristi Sitzman

Title of Contact Person: Clerk-Treasurer

Phone Number: 812-838-3317

The City of Mount Vernon, Indiana, has taken the appropriate corrective action by preparing detailed capital asset listings for each utility.

Cristi Sitzman

Clerk-Treasurer

CITY OF MOUNT VERNON  
EXIT CONFERENCE

The contents of this report were discussed on August 26, 2010, with Cristi Sitzman, Clerk-Treasurer; and John Tucker, Mayor. The officials concurred with our audit findings.