

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

ANNUAL FINANCIAL REPORT

2010

CITY OF NORTH VERNON

JENNINGS COUNTY, INDIANA



FILED
08/19/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
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	5-6
Financial Statement(s): Statement(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	8
Notes to Financial Statement(s).....	9-14
Supplementary Information: Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	16-26
Schedule of Capital Assets.....	27
Schedule of Long-Term Debt	28
Audit Result(s) and Comment(s): Internal Controls – Segregation of Duties	29
Supplemental Audit of Federal Awards: 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.....	32-33
Schedule of Expenditures of Federal Awards	34
Note(s) to Schedule of Expenditures of Federal Awards	35
Schedule of Findings and Questioned Costs	36-37
Auditee Prepared Schedule(s): Summary Schedule of Prior Audit Findings	38
Corrective Action Plan.....	39
Exit Conference.....	40

SCHEDULE OF 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	01-01-10 to 12-31-11
Chairman of the Utility Service Board	Michael Marshall Karen Snyder	01-01-10 to 02-23-11 02-24-11 to 12-31-11
Superintendent of Water Utility	Mike Hess	01-01-10 to 12-31-11
Superintendent of Wastewater Utility	Russell Vaught	01-01-10 to 12-31-11
Superintendent of Storm Water Utility	Russell Vaught	01-01-10 to 12-31-11
Utility Office Manager	Deanna Salyers	01-01-10 to 12-31-11



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 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 statement(s) of the City of North Vernon (City), for the year ended December 31, 2010. These financial statement(s) are the responsibility of the City's management. Our responsibility is to express opinions on these financial statement(s) based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement(s) are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement(s). 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 opinion(s).

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

In our opinion, the financial statement(s) referred to above present fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated August 8, 2011, 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 an opinion on the City's financial statement(s). The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement(s). Such information has been subjected to the auditing procedures applied in the audit of the financial statement(s) and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement(s) taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement(s). The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement(s). The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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 financial statement(s) and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City's management, the Common Council, others within the entity, 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 8, 2011



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

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 NORTH VERNON, JENNINGS COUNTY, INDIANA

We have audited the financial statement(s) of the City of North Vernon (City), for the year ended December 31, 2010, and have issued our report thereon dated August 8, 2011. 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 opinion(s) on the financial statement(s), 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement(s) will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item(s) 2010-1 to be material weaknesses.

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 statement(s) 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, others within the entity, 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 8, 2011

FINANCIAL STATEMENT(S)

CITY OF NORTH VERNON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments		Cash and Investments	
	01-01-10	Receipts	Disbursements	12-31-10
General	\$ (34,614)	\$ 3,594,577	\$ 2,593,029	\$ 966,934
Motor Vehicle Highway	137,726	472,752	455,318	155,160
Local Road And Street	30,930	30,644	16,416	45,158
Cemetery	8,399	54,025	35,549	26,875
Riverboat	197,803	-	-	197,803
Park And Recreation	7,086	189,557	143,729	52,914
Rainy Day	36,547	-	-	36,547
Levy Excess	-	5,878	-	5,878
Police Donation	3,379	1,050	-	4,429
Recreation Railroad Nonreverting	(178)	728	550	-
Street Cut	5,000	-	-	5,000
Fire Department Nonreverting	2,105	4,738	5,325	1,518
Recreation Nonreverting	3,715	53,716	50,807	6,624
Alarm Fee Nonreverting	2,865	3,790	2,125	4,530
Concession	3,979	46,417	46,434	3,962
Impound Fee Nonreverting	7,275	2,920	86	10,109
Dave O'Mara Retainage	26,981	36,775	30,669	33,087
Brooks & Earl Retainage	17,524	-	17,524	-
Housing Grant #HD-008-010	23,482	10,597	34,117	(38)
CDBG PL-005-060	-	19,800	19,800	-
Bradshaw Building Retainage	11,879	3	11,882	-
K & K Fence Company Retainage	3,430	42,419	45,849	-
Education And Training Center	98,672	164,401	128,424	134,649
Redevelopment Commission Number 1	1,724,021	3,411,319	1,200,583	3,934,757
Waste Disposal And Recycling Fee	62,893	112,111	107,312	67,692
North Vernon Community Development	291,825	31,880	47,781	275,924
Redevelopment Commission Number 2	1,272,805	850,830	830,163	1,293,472
Law Enforcement Continuing Education	14,312	15,268	3,143	26,437
Police Drug Task Force	13,927	5,289	6,141	13,075
Police Grants	3,000	11,129	9,763	4,366
North Vernon Carnegie Building	-	6,101	3,795	2,306
Contingency Operating Base Nonreverting	-	321,233	272,982	48,251
Housing Grant #DR10R-009-016	-	169,378	169,376	2
Aviation Dave O'Mara Retainage	-	10,912	-	10,912
Debt Service Reserve Water Utility	522,355	-	522,355	-
Debt Bond Service	8,293	211,115	197,377	22,031
Cumulative Capital Development	192,737	105,492	46,361	251,868
County Economic Development Income Tax	314,457	258,253	450,000	122,710
Cumulative Capital Improvement	80,464	19,076	15,000	84,540
Greensburg Street Phase I and II	234,400	170,000	24,680	379,720
Hayden Pike	200,679	210,000	301,913	108,766
Police Pension	108,673	152,602	93,580	167,695
Hillcrest Cemetery	7,000	-	-	7,000
Payroll	-	2,616,530	2,616,530	-
Aviation A.W.O.S.	77	-	77	-
Aviation	21,826	187,337	119,683	89,480
Aviation Rotary	89,789	225,893	281,987	33,695
Aviation AIP #3-18-0063-07	-	13,447	7,467	5,980
Aviation Bishop Hangar	6,850	14,450	18,162	3,138
Aviation AIP #3-18-0063-08	62	-	62	-
Aviation AIP #3-18-0063-09	54,589	-	54,589	-
Aviation AIP #3-18-0063-05	2,233	-	2,233	-
Aviation HVIC Hanger	1,350	7,500	4,950	3,900
Aviation AIP #3-18-0063-10	16,625	47,507	63,671	461
Aviation AIP #3-18-0063-011	-	64,091	58,129	5,962
Aviation AIP #3-18-0063-012	8,183	1,096,542	1,102,886	1,839
Aviation AIP #3-18-0063-013	-	247,055	208,750	38,305
Wastewater Utility Operating	898,837	1,647,045	1,752,843	793,039
Wastewater Utility Depreciation	483,234	29,001	281,521	230,714
Wastewater Utility Construction	366,300	10,026	207,781	168,545
Wastewater Utility Debt Service Reserve	574,183	-	-	574,183
Wastewater Utility Bond And Interest	672,341	255,222	243,565	683,998
Wastewater Utility Capacity	314,996	10,901	204,094	121,803
Energy Grant	-	289,800	191,286	98,514
Stormwater Utility	-	621,703	180,901	440,802
Water Utility Operating	853,875	2,181,996	1,822,866	1,213,005
Water Utility Improvement	328,910	120,000	311,575	137,335
Water Utility Bond And Interest	217,910	344,318	562,228	-
Water Utility Depreciation	469,725	359,778	320,911	508,592
Water Utility Customer Deposit	94,055	39,891	27,645	106,301
Water Utility Bond And Interest 2005	9,204	264,476	198,849	74,831
Hayden Pike Water Project	-	569,887	361,882	208,005
Water Clarifier Project	-	854,911	794,475	60,436
Water Utility Bond And Interest 2010	-	64,890	64,890	-
Water Utility Debt Reserve 2010	-	542,861	542,861	-
Water Utility Refunding Bond 2010	-	253,575	174,490	79,085
Sunesis Construction Retainage	-	67,825	-	67,825
Totals	\$ 11,130,980	\$ 23,855,233	\$ 20,723,777	\$ 14,262,436

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

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENT(S)

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement(s) present(s) the financial information for the City (primary government), and does not include financial information for any of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the City (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Note 4. *Deposits and Investments*

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. *Risk Management*

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement and replacement items purchased.

Note 6. *Pension Plan(s)*

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 percent 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:

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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

Funding Policy

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

On Behalf Payments

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

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

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public 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 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:

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City of North Vernon's Annual Report(s) can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road And Street	Cemetery	Riverboat	Park And Recreation	Rainy Day	Levy Excess
Cash and investments - beginning	\$ (34,614)	\$ 137,726	\$ 30,930	\$ 8,399	\$ 197,803	\$ 7,086	\$ 36,547	\$ -
Receipts:								
Taxes	2,444,401	280,192	-	47,763	-	174,760	-	-
Licenses and permits	2,442	-	-	-	-	-	-	-
Intergovernmental	1,000,876	190,241	28,838	3,603	-	13,192	-	-
Charges for services	63,580	-	1,806	1,665	-	1,605	-	-
Fines and forfeits	100	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	83,178	2,319	-	994	-	-	-	5,878
Total receipts	<u>3,594,577</u>	<u>472,752</u>	<u>30,644</u>	<u>54,025</u>	<u>-</u>	<u>189,557</u>	<u>-</u>	<u>5,878</u>
Disbursements:								
Personal services	1,633,761	338,857	-	29,033	-	94,342	-	-
Supplies	146,473	113,013	-	3,458	-	3,829	-	-
Other services and charges	738,918	2,892	-	2,230	-	37,189	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	73,877	556	16,416	828	-	8,369	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-
Total disbursements	<u>2,593,029</u>	<u>455,318</u>	<u>16,416</u>	<u>35,549</u>	<u>-</u>	<u>143,729</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>1,001,548</u>	<u>17,434</u>	<u>14,228</u>	<u>18,476</u>	<u>-</u>	<u>45,828</u>	<u>-</u>	<u>5,878</u>
Cash and investments - ending	<u>\$ 966,934</u>	<u>\$ 155,160</u>	<u>\$ 45,158</u>	<u>\$ 26,875</u>	<u>\$ 197,803</u>	<u>\$ 52,914</u>	<u>\$ 36,547</u>	<u>\$ 5,878</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Police Donation	Recreation Railroad Nonreverting	Street Cut	Fire Department Nonreverting	Recreation Nonreverting	Alarm Fee Nonreverting	Concession
Cash and investments - beginning	\$ 3,379	\$ (178)	\$ 5,000	\$ 2,105	\$ 3,715	\$ 2,865	\$ 3,979
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	3,790	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	37,071	-	46,417
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,050	728	-	4,738	16,645	-	-
Total receipts	1,050	728	-	4,738	53,716	3,790	46,417
Disbursements:							
Personal services	-	-	-	5,325	-	-	15,371
Supplies	-	-	-	-	50,807	2,125	31,063
Other services and charges	-	550	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	550	-	5,325	50,807	2,125	46,434
Excess (deficiency) of receipts over disbursements	1,050	178	-	(587)	2,909	1,665	(17)
Cash and investments - ending	\$ 4,429	\$ -	\$ 5,000	\$ 1,518	\$ 6,624	\$ 4,530	\$ 3,962

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Impound Fee Nonreverting	Dave O'Mara Retainage	Brooks & Earl Retainage	Housing Grant #HD-008-010	CDBG PL-005-060	Bradshaw Building Retainage	K & K Fence Company Retainage
Cash and investments - beginning	\$ 7,275	\$ 26,981	\$ 17,524	\$ 23,482	\$ -	\$ 11,879	\$ 3,430
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	10,597	19,800	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	2,920	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	36,775	-	-	-	3	42,419
Total receipts	<u>2,920</u>	<u>36,775</u>	<u>-</u>	<u>10,597</u>	<u>19,800</u>	<u>3</u>	<u>42,419</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	86	30,669	17,524	-	-	-	-
Other services and charges	-	-	-	34,117	19,800	11,882	45,849
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>86</u>	<u>30,669</u>	<u>17,524</u>	<u>34,117</u>	<u>19,800</u>	<u>11,882</u>	<u>45,849</u>
Excess (deficiency) of receipts over disbursements	<u>2,834</u>	<u>6,106</u>	<u>(17,524)</u>	<u>(23,520)</u>	<u>-</u>	<u>(11,879)</u>	<u>(3,430)</u>
Cash and investments - ending	<u>\$ 10,109</u>	<u>\$ 33,087</u>	<u>\$ -</u>	<u>\$ (38)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Education And Training Center	Redevelopment Commission Number 1	Waste Disposal And Recycling Fee	North Vernon Community Development	Redevelopment Commission Number 2	Law Enforcement Continuing Education	Police Drug Task Force
Cash and investments - beginning	\$ 98,672	\$ 1,724,021	\$ 62,893	\$ 291,825	\$ 1,272,805	\$ 14,312	\$ 13,927
Receipts:							
Taxes	-	3,081,083	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	14,300	112,103	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	164,401	315,936	8	31,880	850,830	15,268	5,289
Total receipts	<u>164,401</u>	<u>3,411,319</u>	<u>112,111</u>	<u>31,880</u>	<u>850,830</u>	<u>15,268</u>	<u>5,289</u>
Disbursements:							
Personal services	-	-	-	47,141	-	-	4,156
Supplies	-	30,366	107,312	-	-	533	1,985
Other services and charges	128,424	830,112	-	-	830,163	2,610	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	340,105	-	640	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>128,424</u>	<u>1,200,583</u>	<u>107,312</u>	<u>47,781</u>	<u>830,163</u>	<u>3,143</u>	<u>6,141</u>
Excess (deficiency) of receipts over disbursements	<u>35,977</u>	<u>2,210,736</u>	<u>4,799</u>	<u>(15,901)</u>	<u>20,667</u>	<u>12,125</u>	<u>(852)</u>
Cash and investments - ending	<u>\$ 134,649</u>	<u>\$ 3,934,757</u>	<u>\$ 67,692</u>	<u>\$ 275,924</u>	<u>\$ 1,293,472</u>	<u>\$ 26,437</u>	<u>\$ 13,075</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Police Grants	North Vernon Carnegie Building	Contingency Operating Base Nonreverting	Housing Grant #DR10R-009-016	Aviation Dave O'Mara Retainage	Debt Service Reserve Water Utility	Debt Bond Service
Cash and investments - beginning	\$ 3,000	\$ -	\$ -	\$ -	\$ -	\$ 522,355	\$ 8,293
Receipts:							
Taxes	-	-	-	-	-	-	197,416
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	13,699
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	11,129	6,101	321,233	169,378	10,912	-	-
Total receipts	<u>11,129</u>	<u>6,101</u>	<u>321,233</u>	<u>169,378</u>	<u>10,912</u>	<u>-</u>	<u>211,115</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	508	-	-	-	-	-	-
Other services and charges	84	3,795	272,982	169,376	-	522,355	197,377
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	9,171	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>9,763</u>	<u>3,795</u>	<u>272,982</u>	<u>169,376</u>	<u>-</u>	<u>522,355</u>	<u>197,377</u>
Excess (deficiency) of receipts over disbursements	<u>1,366</u>	<u>2,306</u>	<u>48,251</u>	<u>2</u>	<u>10,912</u>	<u>(522,355)</u>	<u>13,738</u>
Cash and investments - ending	<u>\$ 4,366</u>	<u>\$ 2,306</u>	<u>\$ 48,251</u>	<u>\$ 2</u>	<u>\$ 10,912</u>	<u>\$ -</u>	<u>\$ 22,031</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Cumulative Capital Development	County Economic Development Income Tax	Cumulative Capital Improvement	Greensburg Street Phase I and II	Hayden Pike	Police Pension	Hillcrest Cemetery
Cash and investments - beginning	\$ 192,737	\$ 314,457	\$ 80,464	\$ 234,400	\$ 200,679	\$ 108,673	\$ 7,000
Receipts:							
Taxes	98,002	-	-	-	-	59,247	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	7,369	258,253	19,076	-	-	93,355	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	121	-	-	170,000	210,000	-	-
Total receipts	<u>105,492</u>	<u>258,253</u>	<u>19,076</u>	<u>170,000</u>	<u>210,000</u>	<u>152,602</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	93,580	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	46,361	450,000	15,000	24,680	301,913	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>46,361</u>	<u>450,000</u>	<u>15,000</u>	<u>24,680</u>	<u>301,913</u>	<u>93,580</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>59,131</u>	<u>(191,747)</u>	<u>4,076</u>	<u>145,320</u>	<u>(91,913)</u>	<u>59,022</u>	<u>-</u>
Cash and investments - ending	<u>\$ 251,868</u>	<u>\$ 122,710</u>	<u>\$ 84,540</u>	<u>\$ 379,720</u>	<u>\$ 108,766</u>	<u>\$ 167,695</u>	<u>\$ 7,000</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Payroll	Aviation A.W.O.S.	Aviation	Aviation Rotary	Aviation AIP #3-18-0063-07	Aviation Bishop Hangar	Aviation AIP #3-18-0063-08
Cash and investments - beginning	\$ -	\$ 77	\$ 21,826	\$ 89,789	\$ -	\$ 6,850	\$ 62
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	225,893	-	-	-
Other receipts	2,616,530	-	187,337	-	13,447	14,450	-
Total receipts	2,616,530	-	187,337	225,893	13,447	14,450	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	77	76,027	-	7,467	-	-
Other disbursements	2,616,530	-	43,656	281,987	-	18,162	62
Total disbursements	2,616,530	77	119,683	281,987	7,467	18,162	62
Excess (deficiency) of receipts over disbursements	-	(77)	67,654	(56,094)	5,980	(3,712)	(62)
Cash and investments - ending	\$ -	\$ -	\$ 89,480	\$ 33,695	\$ 5,980	\$ 3,138	\$ -

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Aviation AIP #3-18-0063-09	Aviation AIP #3-18-0063-05	Aviation HVIC Hangar	Aviation AIP #3-18-0063-10	Aviation AIP #3-18-0063-011	Aviation AIP #3-18-0063-012	Aviation AIP #3-18-0063-013
Cash and investments - beginning	\$ 54,589	\$ 2,233	\$ 1,350	\$ 16,625	\$ -	\$ 8,183	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	1,096,542	247,055
Other receipts	-	-	7,500	47,507	64,091	-	-
Total receipts	-	-	7,500	47,507	64,091	1,096,542	247,055
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	54,589	-	-	63,671	58,129	1,049,467	208,750
Other disbursements	-	2,233	4,950	-	-	53,419	-
Total disbursements	54,589	2,233	4,950	63,671	58,129	1,102,886	208,750
Excess (deficiency) of receipts over disbursements	(54,589)	(2,233)	2,550	(16,164)	5,962	(6,344)	38,305
Cash and investments - ending	\$ -	\$ -	\$ 3,900	\$ 461	\$ 5,962	\$ 1,839	\$ 38,305

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Wastewater Utility Operating	Wastewater Utility Depreciation	Wastewater Utility Construction	Wastewater Utility Debt Service Reserve	Wastewater Utility Bond And Interest	Wastewater Utility Capacity	Energy Grant
Cash and investments - beginning	\$ 898,837	\$ 483,234	\$ 366,300	\$ 574,183	\$ 672,341	\$ 314,996	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	191,286
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,647,045	29,001	10,026	-	255,222	10,901	98,514
Total receipts	1,647,045	29,001	10,026	-	255,222	10,901	289,800
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	69,895	-	-
Capital outlay	10,809	-	-	-	-	-	-
Utility operating expenses	1,053,495	-	-	-	-	-	191,286
Other disbursements	688,539	281,521	207,781	-	173,670	204,094	-
Total disbursements	1,752,843	281,521	207,781	-	243,565	204,094	191,286
Excess (deficiency) of receipts over disbursements	(105,798)	(252,520)	(197,755)	-	11,657	(193,193)	98,514
Cash and investments - ending	\$ 793,039	\$ 230,714	\$ 168,545	\$ 574,183	\$ 683,998	\$ 121,803	\$ 98,514

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Stormwater Utility	Water Utility Operating	Water Utility Improvement	Water Utility Bond And Interest	Water Utility Depreciation	Water Utility Customer Deposit	Water Utility Bond And Interest 2005
Cash and investments - beginning	\$ -	\$ 853,875	\$ 328,910	\$ 217,910	\$ 469,725	\$ 94,055	\$ 9,204
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	471,703	2,143,641	-	-	-	-	-
Other receipts	150,000	38,355	120,000	344,318	359,778	39,891	264,476
Total receipts	621,703	2,181,996	120,000	344,318	359,778	39,891	264,476
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	198,849
Capital outlay	-	-	-	-	10,605	-	-
Utility operating expenses	169,840	737,731	311,575	96,253	-	27,645	-
Other disbursements	11,061	1,085,135	-	465,975	310,306	-	-
Total disbursements	180,901	1,822,866	311,575	562,228	320,911	27,645	198,849
Excess (deficiency) of receipts over disbursements	440,802	359,130	(191,575)	(217,910)	38,867	12,246	65,627
Cash and investments - ending	\$ 440,802	\$ 1,213,005	\$ 137,335	\$ -	\$ 508,592	\$ 106,301	\$ 74,831

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Hayden Pike Water Project	Water Clarifier Project	Water Utility Bond And Interest 2010	Water Utility Debt Reserve 2010	Water Utility Refunding Bond 2010	Sunesis Construction Retainage	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,130,980
Receipts:							
Taxes	-	-	-	-	-	-	6,382,864
Licenses and permits	-	-	-	-	-	-	6,232
Intergovernmental	-	-	-	-	-	-	1,850,185
Charges for services	-	-	-	-	-	-	278,547
Fines and forfeits	-	-	-	-	-	-	3,020
Utility fees	-	-	-	-	-	-	4,184,834
Other receipts	569,887	854,911	64,890	542,861	253,575	67,825	11,149,551
Total receipts	<u>569,887</u>	<u>854,911</u>	<u>64,890</u>	<u>542,861</u>	<u>253,575</u>	<u>67,825</u>	<u>23,855,233</u>
Disbursements:							
Personal services	-	-	-	-	-	-	2,167,986
Supplies	-	-	-	-	-	-	539,751
Other services and charges	-	-	-	-	-	-	3,944,285
Debt service - principal and interest	-	-	-	-	33,347	-	302,091
Capital outlay	314,705	677,462	-	-	-	-	2,301,497
Utility operating expenses	13,725	28,407	1	-	43	-	4,148,178
Other disbursements	33,452	88,606	64,889	542,861	141,100	-	7,319,989
Total disbursements	<u>361,882</u>	<u>794,475</u>	<u>64,890</u>	<u>542,861</u>	<u>174,490</u>	<u>-</u>	<u>20,723,777</u>
Excess (deficiency) of receipts over disbursements	<u>208,005</u>	<u>60,436</u>	<u>-</u>	<u>-</u>	<u>79,085</u>	<u>67,825</u>	<u>3,131,456</u>
Cash and investments - ending	<u>\$ 208,005</u>	<u>\$ 60,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,085</u>	<u>\$ 67,825</u>	<u>\$ 14,262,436</u>

CITY OF NORTH VERNON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2010

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	6,531,318
Improvements other than buildings	8,773,934
Machinery and equipment	<u>5,998,828</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 32,791,155</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 14,300
Buildings	245,717
Improvements other than buildings	8,746,752
Machinery and equipment	<u>239,110</u>
Total Water Utility capital assets	<u>9,245,879</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	91,962
Buildings	325,000
Improvements other than buildings	20,029,020
Machinery and equipment	<u>698,964</u>
Total Wastewater Utility capital assets	<u>21,144,946</u>
Total business-type activities capital assets	<u>\$ 30,390,825</u>

CITY OF NORTH VERNON
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2010

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable:		
Airport terminal structure	\$ 45,372	\$ 24,059
Bonds payable:		
General obligation bonds:		
2007 Police cars	130,260	69,729
Revenue bonds:		
2003 Redevelopment district tax increment	4,535,000	231,244
2006 Redevelopment district tax increment	<u>1,320,000</u>	<u>255,758</u>
Total governmental activities debt	<u>\$ 6,030,632</u>	<u>\$ 580,790</u>
Business-type activities:		
Water Utility:		
Notes and loans payable:		
State revolving loan	\$ 515,230	\$ 77,760
Supplemental state loan	384,271	384,271
Revenue bonds:		
2005 Waterworks	1,940,000	199,724
2010 Waterworks refunding	<u>1,830,000</u>	<u>294,920</u>
Total Water Utility	<u>4,669,501</u>	<u>956,675</u>
Wastewater Utility:		
Revenue bonds:		
2006 Tax increment and sewage works revenue	620,000	68,195
2006 Tax increment and sewage works refunding	<u>5,295,000</u>	<u>497,626</u>
Total Wastewater Utility	<u>5,915,000</u>	<u>565,821</u>
Total business-type activities debt	<u>\$ 10,584,501</u>	<u>\$ 1,522,496</u>

CITY OF NORTH VERNON
AUDIT RESULT(S) AND COMMENT(S)

INTERNAL CONTROLS - SEGREGATION OF DUTIES

The City and its Utilities do not have adequate segregation of accounting duties or compensating controls in place to ensure the accuracy of financial reporting and the safeguarding of cash as described below:

1. The Deputy Clerk-Treasurer is responsible for the following duties:
 - (a) writing receipts; recording receipts; preparing the deposit ticket and making deposits.
 - (b) writing vendor checks and recording vendor checks in the records.
 - (c) writing payroll checks and recording payroll checks in the records.
 - (d) recording payroll withholding amounts paid and writing payroll withholding checks.
 - (e) recording adjustments or corrections to the records.
2. The part-time City Clerk is responsible for performing month end bank reconcilements and all the duties of the Deputy Clerk-Treasurer noted above, except for recording adjustments or corrections to the records.
3. The Utilities' Office Manager, Administrative Assistant, and Billing Clerk all can and do perform the following duties:
 - (a) preparing customer billings and posting the charges to the customers' accounts.
 - (b) collecting customers' payments and posting the payments to the customers' accounts.
 - (c) balancing the cash drawer at the end of the day.
 - (d) preparing bank deposit tickets.

In addition to the above responsibilities, the Office Manager is responsible for posting any required adjustments to customer accounts.

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)

(This page intentionally left blank.)

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 program(s) for the year ended December 31, 2010. The City's major federal program(s) 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 program(s) 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 program(s) for the year ended December 31, 2010.

Internal Control Over Compliance

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, 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 deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the City's management, the Common Council, others within the entity, 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 8, 2011

CITY OF NORTH VERNON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2010

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 HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Office of Community and Rural Affairs			
CDBG - State Administered Small Cities Program Cluster			
Community Development Block Grants/State's Program			
and Non-Entitlement Grants in Hawaii	14.228		
Planning Grant		PL-05-080	\$ 19,800
Community Focus Grant		CF-09-215	408,459
Pass-Through Indiana Housing and Community Development Authority			
CDBG - State Administered Small Cities Program Cluster			
Community Development Block Grants/State's Program			
and Non-Entitlement Grants in Hawaii	14.228		
Homeowner Repair and Improvement		HD-008-010	9,858
Homeowner Repair and Improvement		DR10R-009-016	<u>144,378</u>
Total for federal grantor agency			<u>582,495</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Indiana Criminal Justice Institute			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		
JAG 10K and Under Equipment Grant		08(a)-DJ-037	<u>9,171</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
State and Community Highway Safety	20.600		
Operation Pullover		OP-10-02-01-94	500
Operation Pullover		OP-11-02-01-81	500
Rural Demonstration Project		032NHTSA052010	<u>125</u>
Total for cluster			<u>1,125</u>
Direct Grant			
Airport Improvement Program	20.106		
		AIP-3-18-0063-07	13,102
		AIP-3-18-0063-10	18,683
		AIP-3-18-0063-11	62,585
		AIP-3-18-0063-12	895,221
		AIP-3-18-0063-13	<u>257,967</u>
Total for program			<u>1,247,558</u>
Total for federal grantor agency			<u>1,248,683</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority			
Capitalization Grants for Drinking Water State Revolving Funds	66.468		
Water Clarifier Project		DW09564001	<u>191,305</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
Pass-Through Indiana Office of the Lieutenant Governor			
ARRA - State Energy Program	81.041		
Wastewater Treatment Plant Efficiency Upgrades		DD-EE-000725	<u>96,808</u>
Total federal awards expended			<u>\$ 2,128,462</u>

The accompanying note(s) are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF NORTH VERNON
NOTE(S) TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. 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 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 NORTH VERNON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement(s):

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	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	CDBG – State Administered Small Cities Program Cluster 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

FINDING 2010-1 - INTERNAL CONTROLS - SEGREGATION OF DUTIES

The City and its Utilities do not have adequate segregation of accounting duties or compensating controls in place to ensure the accuracy of financial reporting and safeguarding of cash. We believe the following deficiencies constitute a material weakness:

1. The Deputy Clerk-Treasurer is responsible for the following duties:
 - (a) writing receipts; recording receipts; preparing the deposit ticket and making deposits.
 - (b) writing vendor checks and recording vendor checks in the records.

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

- (c) writing payroll checks and recording payroll checks in the records.
 - (d) recording payroll withholding amounts paid and writing payroll withholding checks.
 - (e) recording adjustments or corrections to the records.
2. The part-time City Clerk is responsible for performing month end bank reconciliations and all duties of the Deputy Clerk-Treasurer noted above, except for recording adjustments or corrections to the records; and performing.
3. The Utilities' Office Manager, Administrative Assistant, and Billing Clerk all can and do perform the following duties:
- (a) preparing customer billings and posting the charges to the customers' accounts.
 - (b) collecting customers' payments and posting the payments to the customers' accounts.
 - (c) balancing the cash drawer at the end of the day.
 - (d) preparing the bank deposit tickets.

In addition to the above responsibilities, the Office Manager is responsible for posting any required adjustments to customer accounts.

Segregation of duties is the concept of having different people do different tasks within the organization. Segregation of duties provides the foundation of good internal control by assuring that no one individual is in a position to perpetuate and conceal errors or irregularities in the normal course of their authorized duties. Compensating controls are safeguards put in place to mitigate the effects of the lack of segregation of duties.

The lack of segregation is caused by the City and its Utilities having a small staff that limits the City and Utilities' ability to segregate accounting duties.

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)

We recommended the City officials make a determination on whether it is practical to enhance segregation of accounting duties or to implement compensating controls.

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
275 MAIN STREET
NORTH VERNON, IN 47265**

COUNCIL MEETINGS – SECOND AND FOURTH MONDAYS

MAYOR – HAROLD N. CAMPBELL
CLERK-TREASURER – ROGER SHORT
ATTORNEY- JOHN ROCHE
CHIEF OF POLICE- JAMES WEBSTER
STREET COMMISSIONER- RICK MARKSBERRY
FIRE CHIEF – RICK MCGILL
PARK DIRECTOR – CHAD SPEER
CEMETERY – ANGIE MARKSBERRY

COUNCIL MEMBERS: ANTHONY EDER
MATT HURLEY
DAVID SHAW
CONNIE RAYBURN
PATRICK YORK

August 8, 2011

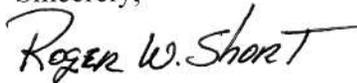
State Board of Accounts
RE: Finding 2010-1
Internal Controls: Segregation of Duties

To whom it may concern:

Due to the fact the City of North Vernon has a small staff in the Clerk-Treasurer's office and the Utility Office; it is impractical to segregate the duties in an ideal manner.

However, the City is going to review the job duties of the employees in the Clerk-Treasurer's office and the Utility office, in order, to develop and implement more effective segregation of duties controls.

Sincerely,



Roger W. Short
Clerk-Treasurer, City of North Vernon
(812) 346-5907

CITY OF NORTH VERNON
EXIT CONFERENCE

The contents of this report were discussed on August 8, 2011, with Harold N. Campbell, Mayor; Roger W. Short, Clerk-Treasurer; and Rita L. Elmore, Deputy Clerk-Treasurer.