

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF MOUNT VERNON
POSEY COUNTY, INDIANA

January 1, 2011 to December 31, 2011



FILED
09/05/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cristi L. Sitzman Denise Dike	01-01-08 to 12-31-11 01-01-12 to 12-31-15
Mayor	John Tucker	01-01-08 to 12-31-15
President of the Board of Public Works	John Tucker	01-01-11 to 12-31-12
President of the Common Council	Bill Curtis	01-01-11 to 12-31-12
President of the Utility Service Board	Bill Curtis	01-01-11 to 12-31-12
Superintendent of Water Utility	Chuck Gray	01-01-11 to 12-31-12
Superintendent of Wastewater Utility Plant Operations Pre-Treatment	Rodney Givens Danny Moss Dennis Givens	01-01-11 to 12-31-12 01-01-11 to 12-31-12 01-01-11 to 12-31-12
Utility Bookkeeper	Deann Blackburn	01-01-11 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the City of Mount Vernon (City), for the year ended December 31, 2011. This financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on this financial statement 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 is 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. 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.

As discussed in Note 1, the City prepares its financial statement 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.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated July 24, 2012, 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.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City's management, 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

July 24, 2012



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

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

We have audited the financial statement of the City of Mount Vernon (City), for the year ended December 31, 2011, and have issued our report thereon dated July 24, 2012. 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 on the financial statement, 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 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 will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
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 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, 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

July 24, 2012

FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF MOUNT VERNON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 518,478	\$ 3,451,665	\$ 3,070,874	\$ 899,269
Motor Vehicle Highway	244,968	921,606	893,158	273,416
Local Road And Street	24,395	26,324	30,719	20,000
Park Nonreverting Operating	38,086	30,425	30,019	38,492
Abandoned Vehicle	2,501	-	-	2,501
Law Enforcement Continuing Ed	8,471	12,719	8,056	13,134
Parks And Recreation	11,683	855,181	659,551	207,313
Rainy Day	299,381	92,699	254,457	137,623
Levy Excess	10,060	-	10,060	-
Cumulative Capital Development	35,680	66,671	66,618	35,733
Cumulative Capital Improvement	23,897	33,411	13,078	44,230
Police Pension	176,842	129,792	101,006	205,628
Fire Pension	227,470	171,301	111,973	286,798
Operation Pull-Over	-	891	891	-
E D I T	436,690	824,965	752,653	509,002
Donations	6,311	505,082	432,842	78,551
Economic Development Commission	11,547	-	-	11,547
State Gaming	36,904	49,503	21,772	64,635
EWSF	9,802	1	-	9,803
MVH II	14,177	11,167	2,162	23,182
Project Fun	234	740	460	514
BB Pool Lights	9	1,000	1,000	9
Downtown Plan	481	-	-	481
Crow Population	80	-	32	48
C O I T	325,656	646,678	427,561	544,773
Insurance	9,081	138,428	135,904	11,605
Tax Incremental Financing	-	338,431	224,973	113,458
Payroll	22,929	3,180,816	3,175,418	28,327
Wastewater-2011 State Revolving Loan	-	2,094,445	2,094,445	-
Wastewater-Operating and Maintenance	457,921	2,268,813	2,031,257	695,477
Wastewater-Consumer Meter Deposit	45,400	9,787	8,649	46,538
Wastewater-Cash Clearance	-	1,886,618	1,886,618	-
Wastewater-Improvement	6,702	-	-	6,702
Wastewater-Petty Cash	100	-	-	100
Wastewater-Trash Transfer	-	279,753	279,753	-
Wastewater-Pre-Treatment	27,896	55,018	1,606	81,308
Wastewater-Ban Construction	-	-	-	-
Wastewater-Debt Service Reserve	413,246	57,854	-	471,100
Wastewater-Sinking	521,941	670,122	617,812	574,251
Wastewater-2009 State Revolving Loan	-	136,988	136,988	-
Water-Operating and Maintenance	536,696	2,665,582	1,833,299	1,368,979
Water-ONB Escrow	154,464	178,785	178,691	154,558
Water-State Revolving Fund	22,087	262,548	131,024	153,611
Water-BAN Bond and Interest	19,739	227,975	226,739	20,975
Water-BAN Construction	267,556	-	127,529	140,027
Water-1997 Bond and Interest	41,315	494,852	489,069	47,098
Water-Consumer Meter Deposit	90,365	17,079	15,188	92,256
Water-Revenue	-	3,801,181	3,801,181	-
Water-Debt Service Reserve	769,388	-	-	769,388
Water-Improvement	223,248	9,000	29,555	202,693
Water-Petty Cash	200	-	-	200
Totals	<u>\$ 6,094,077</u>	<u>\$ 26,605,896</u>	<u>\$ 24,314,640</u>	<u>\$ 8,385,333</u>

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

CITY OF MOUNT VERNON
NOTES TO FINANCIAL STATEMENT

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, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is 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 statement. The aggregate receipts may include 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.

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,

CITY OF MOUNT VERNON
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

Penalties which include fees received for late payments.

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 statement. The aggregate disbursements may include 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.

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

CITY OF MOUNT VERNON
NOTES TO FINANCIAL STATEMENT
(Continued)

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 MOUNT VERNON
NOTES TO FINANCIAL STATEMENT
(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 statement. 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 any replacement items purchased.

Note 6. Pension Plans

A. *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 Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

CITY OF MOUNT VERNON
NOTES TO FINANCIAL STATEMENT
(Continued)

B. 1937 Firefighters' Pension Plan

Plan Description

The 1937 Firefighters' 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 36-8-7). 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 Indiana Public Retirement System 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 Retirement System (INPRS) 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.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

CITY OF MOUNT VERNON
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 7. Subsequent Event

On April 13, 2012, the Water Utility issued revenue bonds totaling \$14,550,000. This was used to refund the 2008 bond anticipation note, as well as, for certain additions, extensions, and improvements to the City's municipal waterworks.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road And Street	Park Nonreverting Operating	Abandoned Vehicle	Law Enforcement Continuing Ed	Parks And Recreation
Cash and investments - beginning	\$ 518,478	\$ 244,968	\$ 24,395	\$ 38,086	\$ 2,501	\$ 8,471	\$ 11,683
Receipts:							
Taxes	2,165,022	444,203	-	-	-	-	666,416
Licenses and permits	6,474	785	-	-	-	4,876	-
Intergovernmental	380,365	314,869	26,324	-	-	-	30,093
Charges for services	283,348	4,180	-	30,150	-	-	61,320
Fines and forfeits	-	-	-	-	-	2,748	-
Utility fees	-	-	-	-	-	-	-
Other receipts	616,456	157,569	-	275	-	5,095	97,352
Total receipts	<u>3,451,665</u>	<u>921,606</u>	<u>26,324</u>	<u>30,425</u>	<u>-</u>	<u>12,719</u>	<u>855,181</u>
Disbursements:							
Personal services	1,873,902	310,707	-	9,237	-	-	378,415
Supplies	218,357	105,900	-	15,881	-	8,056	51,069
Other services and charges	702,561	182,459	30,719	1,776	-	-	158,198
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	76,054	39,092	-	-	-	-	324
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	200,000	255,000	-	3,125	-	-	71,545
Total disbursements	<u>3,070,874</u>	<u>893,158</u>	<u>30,719</u>	<u>30,019</u>	<u>-</u>	<u>8,056</u>	<u>659,551</u>
Excess (deficiency) of receipts over disbursements	<u>380,791</u>	<u>28,448</u>	<u>(4,395)</u>	<u>406</u>	<u>-</u>	<u>4,663</u>	<u>195,630</u>
Cash and investments - ending	<u>\$ 899,269</u>	<u>\$ 273,416</u>	<u>\$ 20,000</u>	<u>\$ 38,492</u>	<u>\$ 2,501</u>	<u>\$ 13,134</u>	<u>\$ 207,313</u>

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Rainy Day	Levy Excess	Cumulative Capital Development	Cumulative Capital Improvement	Police Pension	Fire Pension	Operation Pull-Over
Cash and investments - beginning	\$ 299,381	\$ 10,060	\$ 35,680	\$ 23,897	\$ 176,842	\$ 227,470	\$ -
Receipts:							
Taxes	-	-	57,019	-	28,910	38,459	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	9,652	13,411	100,882	132,842	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	92,699	-	-	20,000	-	-	891
Total receipts	<u>92,699</u>	<u>-</u>	<u>66,671</u>	<u>33,411</u>	<u>129,792</u>	<u>171,301</u>	<u>891</u>
Disbursements:							
Personal services	-	-	-	-	99,139	111,773	-
Supplies	-	-	-	-	240	-	-
Other services and charges	27,320	-	-	-	1,227	200	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	66,618	13,078	400	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	227,137	10,060	-	-	-	-	891
Total disbursements	<u>254,457</u>	<u>10,060</u>	<u>66,618</u>	<u>13,078</u>	<u>101,006</u>	<u>111,973</u>	<u>891</u>
Excess (deficiency) of receipts over disbursements	<u>(161,758)</u>	<u>(10,060)</u>	<u>53</u>	<u>20,333</u>	<u>28,786</u>	<u>59,328</u>	<u>-</u>
Cash and investments - ending	<u>\$ 137,623</u>	<u>\$ -</u>	<u>\$ 35,733</u>	<u>\$ 44,230</u>	<u>\$ 205,628</u>	<u>\$ 286,798</u>	<u>\$ -</u>

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	EDIT	Donations	Economic Development Commission	State Gaming	EWSF	MVH II	Project Fun
Cash and investments - beginning	\$ 436,690	\$ 6,311	\$ 11,547	\$ 36,904	\$ 9,802	\$ 14,177	\$ 234
Receipts:							
Taxes	574,965	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	46,798	-	11,167	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	250,000	505,082	-	2,705	1	-	740
Total receipts	<u>824,965</u>	<u>505,082</u>	<u>-</u>	<u>49,503</u>	<u>1</u>	<u>11,167</u>	<u>740</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	18,299	-	-	-	-	2,162	-
Other services and charges	44,295	-	-	19,407	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	190,059	-	-	2,365	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	500,000	432,842	-	-	-	-	460
Total disbursements	<u>752,653</u>	<u>432,842</u>	<u>-</u>	<u>21,772</u>	<u>-</u>	<u>2,162</u>	<u>460</u>
Excess (deficiency) of receipts over disbursements	<u>72,312</u>	<u>72,240</u>	<u>-</u>	<u>27,731</u>	<u>1</u>	<u>9,005</u>	<u>280</u>
Cash and investments - ending	<u>\$ 509,002</u>	<u>\$ 78,551</u>	<u>\$ 11,547</u>	<u>\$ 64,635</u>	<u>\$ 9,803</u>	<u>\$ 23,182</u>	<u>\$ 514</u>

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	BB Pool Lights	Downtown Plan	Crow Population	COIT	Insurance	Tax Incremental Financing	Payroll
Cash and investments - beginning	\$ 9	\$ 481	\$ 80	\$ 325,656	\$ 9,081	\$ -	\$ 22,929
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	391,560	-	338,431	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,000	-	-	255,118	138,428	-	3,180,816
Total receipts	1,000	-	-	646,678	138,428	338,431	3,180,816
Disbursements:							
Personal services	-	-	-	257,561	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,000	-	32	170,000	135,904	224,973	3,175,418
Total disbursements	1,000	-	32	427,561	135,904	224,973	3,175,418
Excess (deficiency) of receipts over disbursements	-	-	(32)	219,117	2,524	113,458	5,398
Cash and investments - ending	\$ 9	\$ 481	\$ 48	\$ 544,773	\$ 11,605	\$ 113,458	\$ 28,327

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Wastewater-2011 State Revolving Loan	Wastewater- Operating and Maintenance	Wastewater- Consumer Meter Deposit	Wastewater- Cash Clearance	Wastewater- Improvement	Wastewater-Petty Cash
Cash and investments - beginning	\$ -	\$ 457,921	\$ 45,400	\$ -	\$ 6,702	\$ 100
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	2,268,813	-	-	-	-
Other receipts	2,094,445	-	9,787	1,886,618	-	-
Total receipts	<u>2,094,445</u>	<u>2,268,813</u>	<u>9,787</u>	<u>1,886,618</u>	<u>-</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	912,582	-	-	-	-
Other disbursements	2,094,445	1,118,675	8,649	1,886,618	-	-
Total disbursements	<u>2,094,445</u>	<u>2,031,257</u>	<u>8,649</u>	<u>1,886,618</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>237,556</u>	<u>1,138</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 695,477</u>	<u>\$ 46,538</u>	<u>\$ -</u>	<u>\$ 6,702</u>	<u>\$ 100</u>

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Wastewater-Trash Transfer	Wastewater- Pre-Treatment	Wastewater-BAN Construction	Wastewater-Debt Service Reserve	Wastewater- Sinking	Wastewater-2009 State Revolving Loan
Cash and investments - beginning	\$ -	\$ 27,896	\$ -	\$ 413,246	\$ 521,941	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	279,753	-	-	-	-	136,988
Other receipts	-	55,018	-	57,854	670,122	-
Total receipts	<u>279,753</u>	<u>55,018</u>	<u>-</u>	<u>57,854</u>	<u>670,122</u>	<u>136,988</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	617,812	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	1,606	-	-	-	-
Other disbursements	279,753	-	-	-	-	136,988
Total disbursements	<u>279,753</u>	<u>1,606</u>	<u>-</u>	<u>-</u>	<u>617,812</u>	<u>136,988</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>53,412</u>	<u>-</u>	<u>57,854</u>	<u>52,310</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 81,308</u>	<u>\$ -</u>	<u>\$ 471,100</u>	<u>\$ 574,251</u>	<u>\$ -</u>

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Water- Operating and Maintenance	Water-ONB Escrow	Water-State Revolving Fund	Water-BAN Bond and Interest	Water-BAN Construction	Water-1997 Bond and Interest
Cash and investments - beginning	\$ 536,696	\$ 154,464	\$ 22,087	\$ 19,739	\$ 267,556	\$ 41,315
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	2,665,582	178,785	262,548	227,975	-	494,852
Total receipts	<u>2,665,582</u>	<u>178,785</u>	<u>262,548</u>	<u>227,975</u>	<u>-</u>	<u>494,852</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	178,691	131,024	226,114	-	-
Capital outlay	49,139	-	-	-	127,529	-
Utility operating expenses	1,784,160	-	-	-	-	-
Other disbursements	-	-	-	625	-	489,069
Total disbursements	<u>1,833,299</u>	<u>178,691</u>	<u>131,024</u>	<u>226,739</u>	<u>127,529</u>	<u>489,069</u>
Excess (deficiency) of receipts over disbursements	<u>832,283</u>	<u>94</u>	<u>131,524</u>	<u>1,236</u>	<u>(127,529)</u>	<u>5,783</u>
Cash and investments - ending	<u>\$ 1,368,979</u>	<u>\$ 154,558</u>	<u>\$ 153,611</u>	<u>\$ 20,975</u>	<u>\$ 140,027</u>	<u>\$ 47,098</u>

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Water-Consumer Meter Deposit	Water-Revenue	Water-Debt Service Reserve	Water- Improvement	Water-Petty Cash	Totals
Cash and investments - beginning	\$ 90,365	\$ -	\$ 769,388	\$ 223,248	\$ 200	\$ 6,094,077
Receipts:						
Taxes	-	-	-	-	-	3,974,994
Licenses and permits	-	-	-	-	-	12,135
Intergovernmental	-	-	-	-	-	1,796,394
Charges for services	-	-	-	-	-	378,998
Fines and forfeits	-	-	-	-	-	2,748
Utility fees	-	-	-	-	-	2,685,554
Other receipts	17,079	3,801,181	-	9,000	-	17,755,073
Total receipts	<u>17,079</u>	<u>3,801,181</u>	<u>-</u>	<u>9,000</u>	<u>-</u>	<u>26,605,896</u>
Disbursements:						
Personal services	-	-	-	-	-	3,040,734
Supplies	-	-	-	-	-	419,964
Other services and charges	-	-	-	-	-	1,168,162
Debt service - principal and interest	-	-	-	-	-	1,153,641
Capital outlay	-	-	-	-	-	564,658
Utility operating expenses	-	-	-	-	-	2,698,348
Other disbursements	15,188	3,801,181	-	29,555	-	15,269,133
Total disbursements	<u>15,188</u>	<u>3,801,181</u>	<u>-</u>	<u>29,555</u>	<u>-</u>	<u>24,314,640</u>
Excess (deficiency) of receipts over disbursements	<u>1,891</u>	<u>-</u>	<u>-</u>	<u>(20,555)</u>	<u>-</u>	<u>2,291,256</u>
Cash and investments - ending	<u>\$ 92,256</u>	<u>\$ -</u>	<u>\$ 769,388</u>	<u>\$ 202,693</u>	<u>\$ 200</u>	<u>\$ 8,385,333</u>

CITY OF MOUNT VERNON
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 101,306</u>	<u>\$ -</u>

CITY OF MOUNT VERNON
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Fifth Third Bank	2004 Aerial Ladder Fire Truck	\$ 66,618	09-26-05	09-26-13
Old National Bank	2009 Dump Truck	21,641	02-19-09	02-19-13
TCF Equipment Finance	Peterson Lightning Loader	<u>24,507</u>	08-15-10	08-15-12
Total governmental activities		<u>112,766</u>		
Business-type activities:				
Wastewater Utility:				
PNC Equipment Finance	Wastewater camera truck	33,262	01-30-08	01-30-12
Water Utility:				
PNC Equipment Finance	Water meters	<u>178,691</u>	01-18-07	05-08-22
Total business-type activities		<u>211,953</u>		
Total of annual lease payments		<u>\$ 324,719</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Wastewater Utility:			
State revolving loan - 2011	Improvements to the collection system and treatment plant	\$ 1,064,147	\$ 11,405
State revolving loan - 2009	Improvements to the collection system and treatment plant	2,314,288	135,897
State revolving loan - 2006	Improvements to sewer collection system and treatment plant	324,957	26,049
State revolving loan - 2001	Improvements to Mt Vernon Wastewater Treatment Plant	<u>1,232,118</u>	<u>1,138,124</u>
Total Wastewater Utility		<u>4,935,510</u>	<u>1,311,475</u>
Water Utility:			
Bond anticipation notes	1997 bond anticipation notes	6,640,000	225,056
State revolving loan - 2001	Construction of water utility improvements	2,544,949	262,588
Revenue bonds - 1997	Partial refunding of water works revenue bonds 1992	<u>235,000</u>	<u>240,875</u>
Total Water Utility		<u>9,419,949</u>	<u>728,519</u>
Totals		<u>\$ 14,355,459</u>	<u>\$ 2,039,994</u>

CITY OF MOUNT VERNON
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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.

	Ending Balance
Governmental activities:	
Land	\$ 3,389,651
Buildings	1,563,467
Improvements other than buildings	172,627
Machinery, equipment and vehicles	3,489,618
Total governmental activities	8,615,363
Wastewater:	
Land	44,940
Infrastructure	13,750,662
Buildings	1,925,070
Improvements other than buildings	7,735,113
Machinery and equipment	5,033,009
Construction in progress	4,148,944
Total Wastewater	32,637,738
Water Utility:	
Land	135,322
Infrastructure	9,598,438
Buildings	5,687,907
Improvements other than buildings	15,905,248
Machinery and equipment	5,435,645
Total Water Utility	36,762,560
Total capital assets	\$ 78,015,661

CITY OF MOUNT VERNON
AUDIT RESULTS AND COMMENTS

OLD OUTSTANDING CHECKS (Applies to Water and Wastewater Utilities)

Our review of the bank reconciliements as of December 31, 2011, revealed checks outstanding in excess of two years.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the: (1) board of finance of the political subdivision; or (2) fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

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.

Indiana Code 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;

CITY OF MOUNT VERNON
AUDIT RESULTS AND COMMENTS
(Continued)

- (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. . . ."

PENALTIES, INTEREST, AND OTHER CHARGES (Applies to Water Utility)

Penalties and interest totaling \$370.60 were paid to the Indiana Department of Revenue on November 28, 2011, due to the late filing of the December 2010 year-end Indiana Utility Receipts Tax Return. The fiscal year-end payment had been mailed two days after the due date.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(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 24 percent of the amount of water pumped by the Water Utility as compared to water consumption billed to customers for the year 2011. Because the Wastewater charges are computed on water consumption, the Wastewater Utility is losing revenue as well. A similar comment was included in several prior reports.

Goods for sale, billings, and other collections are considered accountable items for which a corresponding deposit must be made in the bank accounts of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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.

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)

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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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 its major federal program for the year ended December 31, 2011. The City's major federal program is 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 its major federal program 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 its major federal program for the year ended December 31, 2011.

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.

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

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.

This report is intended solely for the information and use of the City's management, 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

July 24, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the City. The schedule and note are presented as intended by the City.

CITY OF MOUNT VERNON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2011

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 CDBG Cluster			
Community Development Block Grant/State's Program and Non Entitlement Grants in Hawaii	14.228		
Community Focus Fund Planning Grant		CF-10-118	\$ 300,000
Disaster Recovery Program		DR2-09-134	<u>2,094,445</u>
Total for federal grantor agency			<u>2,394,445</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Highway Planning and Construction Cluster			
Highway Planning and Construction Safe Routes to Schools	20.205		
		DES#0810439	<u>16,907</u>
Total for cluster			<u>16,907</u>
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster			
State and Community Highway Safety Operation Pullover Seat Belt Enforcement	20.600		
		OP-08-01-02-05	<u>891</u>
Total for cluster			<u>891</u>
Total for federal grantor agency			<u>17,798</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds			
	66.458		
		WW06496502	50,260
		WW06496504	<u>478,866</u>
Total for federal grantor agency			<u>529,126</u>
Total federal awards expended			<u>\$ 2,941,369</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 and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. 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 Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency 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:

_____ Name of Federal Program or Cluster _____
CDBG – State Administered CDBG Cluster

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF MOUNT VERNON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF MOUNT VERNON
EXIT CONFERENCE

The contents of this report were discussed on July 24, 2012, with Denise Dike, Clerk-Treasurer; John Tucker, Mayor; Bill Curtis, President of the Common Council and Utility Service Board; Chuck Gray, Superintendent of Water Utility; and Cristi L. Sitzman, former Clerk-Treasurer and current Deputy Clerk-Treasurer. The officials concurred with our audit findings.