

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF NORTH VERNON
JENNINGS COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED

05/14/2015

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's 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 <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	10-11
Notes to Financial Statement	12-16
Supplementary Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	18-28
Schedule of Payables and Receivables	29
Schedule of Leases and Debt	30
Schedule of Capital Assets.....	31
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance.....	34-35
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	38
Notes to Schedule of Expenditures of Federal Awards	39
Schedule of Findings and Questioned Costs	40-44
Auditee Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	46-51
Corrective Action Plan	52-55
Other Report	56

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	R. Shawn Gerkin	01-01-12 to 12-31-15
Mayor	Harold N. Campbell	01-01-12 to 12-31-15
President of the Board of Public Works	Harold N. Campbell	01-01-12 to 12-31-15
President Pro Tempore of the Common Council	David Shaw	01-01-13 to 12-31-15
Utility Office Manager	Deanna Salyers Robin Jones	01-01-13 to 06-29-14 06-30-14 to 12-31-15



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of North Vernon (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2013.

Opinion on Regulatory Basis of Accounting

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, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 11, 2015, 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* in considering the City's internal control over financial reporting and compliance.


Accompanying Information

Supplementary Information

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards 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, as listed in the Table of Contents, 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.


Paul D. Joyce, CPA
State Examiner

March 11, 2015



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S 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 NORTH VERNON, JENNINGS COUNTY, INDIANA

We have audited, 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, the financial statement of the City of North Vernon (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated March 11, 2015, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 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 items 2013-001 and 2013-002 to be material weaknesses.

INDEPENDENT AUDITOR'S 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 is 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-002.

City of North Vernon's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plans. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

March 11, 2015

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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 NORTH VERNON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2013

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
General	\$ 548,540	\$ 3,585,772	\$ 3,018,048	\$ 1,116,264
Motor Vehicle	23,964	535,139	440,155	118,948
Local Road & Street	82,507	27,184	25,163	84,528
Riverboat Tax Revenue	300,741	39,856	30,247	310,350
Recreation	(11,028)	231,946	138,355	82,563
Rainy Day	26,607	-	-	26,607
Levy Excess	-	16,326	-	16,326
Cumulative Cap.Develop.Fund	110,904	93,549	91,868	112,585
Cedit Fund	320,576	176,432	359,461	137,547
Police Pension Fund	227,960	131,521	81,983	277,498
City of NV/Windstream Technology	25,144	125,000	-	150,144
NV/Exergistics	188,995	-	184,356	4,639
D/J Equitable Sharing Program	2,117	-	-	2,117
Annexation Fund	-	35,000	23,414	11,586
2006 Bond Principal & Interest	237,873	260,043	497,915	1
2006 Reserve Account	200,000	13	200,013	-
2003 Tax Increment	302,149	586,719	888,867	1
2003 Bond Principal & Interest	115,629	231,246	346,875	-
2003 Reserve Account	500,010	34	500,044	-
2003 General Account	106,317	7	106,325	(1)
Cemetery	18,246	48,807	30,807	36,246
Police Donation Fund	4,381	350	200	4,531
Festival Non-Reverting	9,449	400	8,177	1,672
Street Cut Fund	5,000	3,500	3,000	5,500
Fire Dept. Non-Reverting	4,107	5,500	731	8,876
Recreation Non-Reverting	12,757	75,327	78,614	9,470
Alarm Fee Non-Reverting Fund	9,724	3,025	3,241	9,508
Concession Fund	5,891	48,062	48,098	5,855
Impound Fee Non-Reverting	8,283	2,220	1,929	8,574
Nv Education & Training Center	125,282	118,171	150,309	93,144
Nv Redevelopment	2,011,979	3,699,161	1,316,120	4,395,020
Waste Disposal & Recycling Fund	34,926	122,432	118,371	38,987
N.V. Community Development	67,776	208,231	9,900	266,107
N. V. Police Education	32,644	15,688	30,277	18,055
Police Drug Task Force	2,854	7,854	8,430	2,278
Police Grants	6,594	1,250	2,041	5,803
North Vernon-Carnegie Building	5,309	38,413	24,737	18,985
Cob Non-Reverting Fund	24,195	162,500	162,500	24,195
In Housing Grant #Dr10R-009-016	32	-	32	-
Stellar Grant #Scp-010-006	22,210	2,800,652	2,042,785	780,077
Debt Bond Service	9,409	97,146	40,000	66,555

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

CITY OF NORTH VERNON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2013
(Continued)

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
Cumulative Capital Improv.	91,094	18,061	15,000	94,155
Greensburg Street Phase I & II	364,552	241,105	452,777	152,880
Hayden Pike	141,105	-	141,105	-
Cemetery Per. Care	7,000	-	-	7,000
Pay/Roll Fund	-	2,820,683	2,820,683	-
Aviation AIP #3-18-0063-14	149,331	26,249	175,580	-
Aviation AIP #3-18-0063-15	132,226	1,078,447	1,192,779	17,894
Aviation AIP #3-18-063-016	-	10,814	10,550	264
Aviation	64,389	104,693	130,851	38,231
Aviation Rotary Fund	41,533	209,084	195,411	55,206
Aviation-Bishop Hangar	22,198	34,772	28,964	28,006
Stormwater Utility Fund	247,698	131,948	99,969	279,677
Sewage Headworks	6,915	-	6,915	-
Long Term Control Plan	-	1,520,100	247,365	1,272,735
Sewage Utility	444,667	1,940,329	1,593,429	791,567
Sewage Utility Depreciation	346,051	50,095	101,113	295,033
Sewage Construction Fund	1,303,871	744,132	410,906	1,637,097
Debt Service Reserve Account	574,183	-	-	574,183
Sewage Utility Bond & Interest	701,750	288,236	889,172	100,814
Sewage Utility Capacity Fund	98,844	89,541	50	188,335
Water Line Construction	426	736,024	736,450	-
Water Debt Payment	87,950	118,047	158,640	47,357
Water Util. Debt Reserve 2011	11,893	11,891	-	23,784
Water Filter Valve Upgrade	130,216	182,016	312,232	-
NV/Mitchell & Stark Retainage	-	18,727	-	18,727
SRF North Vernon DW S & I	45,432	77,568	75,172	47,828
SRF North Vernon DW SRF	438,308	14,400	-	452,708
Water Operating	1,697,727	2,359,110	3,296,639	760,198
Water Works Capital Improvement	222,429	1,382,348	273,964	1,330,813
Water-Works Depreciation	590,411	49,071	277,707	361,775
Water-Works Meter Deposit	123,668	33,550	30,005	127,213
Waterworks Revenue Bond-2005	9,751	196,081	196,033	9,799
Hayden Pike Water	20,829	-	20,829	-
Water Clarifier Project	74,555	-	74,555	-
Water Utility Bond & Int 2010	-	77,568	77,568	-
Water Debt Reserve 2010	-	14,400	14,400	-
Waterworks Refunding Bond 2010	281	294,715	294,993	3
Water Distribution Dr2-09-132	1	1,082,486	1,082,466	21
Totals	<u>\$ 13,921,337</u>	<u>\$ 29,490,767</u>	<u>\$ 26,447,660</u>	<u>\$ 16,964,444</u>

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

CITY OF NORTH 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, aviation, 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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 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.

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENT
(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 statement. The aggregate disbursements 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.

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENT
(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
(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.

Note 6. Pension Plans

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 Indiana Public Retirement System (INPRS) 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.

INPRS 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:

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

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

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 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 Capitol 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.

SUPPLEMENTARY INFORMATION - UNAUDITED

For additional financial information, the City's 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 NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	General	Motor Vehicle	Local Road & Street	Riverboat Tax Revenue	Recreation	Rainy Day	Levy Excess	Cumulative Cap. Develop. Fund
Cash and investments - beginning	\$ 548,540	\$ 23,964	\$ 82,507	\$ 300,741	\$ (11,028)	\$ 26,607	\$ -	\$ 110,904
Receipts:								
Taxes	2,395,711	333,097	-	-	164,468	-	-	87,188
Licenses and permits	700	-	-	-	-	-	-	-
Intergovernmental	1,077,239	198,544	27,097	39,856	11,998	-	-	6,361
Charges for services	67,269	-	-	-	1,205	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	44,853	3,498	87	-	54,275	-	16,326	-
Total receipts	<u>3,585,772</u>	<u>535,139</u>	<u>27,184</u>	<u>39,856</u>	<u>231,946</u>	<u>-</u>	<u>16,326</u>	<u>93,549</u>
Disbursements:								
Personal services	1,779,809	342,187	-	-	109,898	-	-	-
Supplies	175,387	75,157	-	30,247	1,482	-	-	-
Other services and charges	905,404	6,531	-	-	26,975	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	108,371	16,280	25,163	-	-	-	-	91,868
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	49,077	-	-	-	-	-	-	-
Total disbursements	<u>3,018,048</u>	<u>440,155</u>	<u>25,163</u>	<u>30,247</u>	<u>138,355</u>	<u>-</u>	<u>-</u>	<u>91,868</u>
Excess (deficiency) of receipts over disbursements	<u>567,724</u>	<u>94,984</u>	<u>2,021</u>	<u>9,609</u>	<u>93,591</u>	<u>-</u>	<u>16,326</u>	<u>1,681</u>
Cash and investments - ending	<u>\$ 1,116,264</u>	<u>\$ 118,948</u>	<u>\$ 84,528</u>	<u>\$ 310,350</u>	<u>\$ 82,563</u>	<u>\$ 26,607</u>	<u>\$ 16,326</u>	<u>\$ 112,585</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Cedit Fund	Police Pension Fund	City of NV/Windstream Technology	NV/Exergistics	D/J Equitable Sharing Program	Annexation Fund	2006 Bond Principal & Interest	2006 Reserve Account
Cash and investments - beginning	\$ 320,576	\$ 227,960	\$ 25,144	\$ 188,995	\$ 2,117	\$ -	\$ 237,873	\$ 200,000
Receipts:								
Taxes	-	46,687	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	176,432	3,406	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	81,428	125,000	-	-	35,000	260,043	13
Total receipts	176,432	131,521	125,000	-	-	35,000	260,043	13
Disbursements:								
Personal services	-	81,983	-	-	-	-	-	-
Supplies	103,073	-	-	184,356	-	-	-	-
Other services and charges	-	-	-	-	-	23,414	-	-
Debt service - principal and interest	-	-	-	-	-	-	497,911	-
Capital outlay	156,388	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	100,000	-	-	-	-	-	4	200,013
Total disbursements	359,461	81,983	-	184,356	-	23,414	497,915	200,013
Excess (deficiency) of receipts over disbursements	(183,029)	49,538	125,000	(184,356)	-	11,586	(237,872)	(200,000)
Cash and investments - ending	\$ 137,547	\$ 277,498	\$ 150,144	\$ 4,639	\$ 2,117	\$ 11,586	\$ 1	\$ -

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	2003 Tax Increment	2003 Bond Principal & Interest	2003 Reserve Account	2003 General Account	Cemetery	Police Donation Fund	Festival Non-Reverting	Street Cut Fund
Cash and investments - beginning	\$ 302,149	\$ 115,629	\$ 500,010	\$ 106,317	\$ 18,246	\$ 4,381	\$ 9,449	\$ 5,000
Receipts:								
Taxes	-	-	-	-	44,746	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	3,264	-	-	-
Charges for services	-	-	-	-	775	-	-	3,500
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	586,719	231,246	34	7	22	350	400	-
Total receipts	<u>586,719</u>	<u>231,246</u>	<u>34</u>	<u>7</u>	<u>48,807</u>	<u>350</u>	<u>400</u>	<u>3,500</u>
Disbursements:								
Personal services	-	-	-	-	9,569	200	-	-
Supplies	-	-	-	-	18,987	-	561	-
Other services and charges	27	2	-	-	1,334	-	7,616	-
Debt service - principal and interest	397,558	346,873	-	-	-	-	-	-
Capital outlay	-	-	-	-	917	-	-	3,000
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	491,282	-	500,044	106,325	-	-	-	-
Total disbursements	<u>888,867</u>	<u>346,875</u>	<u>500,044</u>	<u>106,325</u>	<u>30,807</u>	<u>200</u>	<u>8,177</u>	<u>3,000</u>
Excess (deficiency) of receipts over disbursements	<u>(302,148)</u>	<u>(115,629)</u>	<u>(500,010)</u>	<u>(106,318)</u>	<u>18,000</u>	<u>150</u>	<u>(7,777)</u>	<u>500</u>
Cash and investments - ending	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ 36,246</u>	<u>\$ 4,531</u>	<u>\$ 1,672</u>	<u>\$ 5,500</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Fire Dept. Non-Reverting	Recreation Non-Reverting	Alarm Fee Non-Reverting Fund	Concession Fund	Impound Fee Non-Reverting	Nv Education & Training Center	Nv Redevelopment
Cash and investments - beginning	\$ 4,107	\$ 12,757	\$ 9,724	\$ 5,891	\$ 8,283	\$ 125,282	\$ 2,011,979
Receipts:							
Taxes	-	-	-	-	-	-	3,230,194
Licenses and permits	-	-	3,025	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	69,453	-	48,062	-	118,144	182,600
Fines and forfeits	-	-	-	-	2,220	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	5,500	5,874	-	-	-	27	286,367
Total receipts	5,500	75,327	3,025	48,062	2,220	118,171	3,699,161
Disbursements:							
Personal services	-	-	-	12,606	-	-	-
Supplies	731	78,614	3,241	35,492	1,929	-	55,576
Other services and charges	-	-	-	-	-	150,309	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	673,852
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	586,692
Total disbursements	731	78,614	3,241	48,098	1,929	150,309	1,316,120
Excess (deficiency) of receipts over disbursements	4,769	(3,287)	(216)	(36)	291	(32,138)	2,383,041
Cash and investments - ending	<u>\$ 8,876</u>	<u>\$ 9,470</u>	<u>\$ 9,508</u>	<u>\$ 5,855</u>	<u>\$ 8,574</u>	<u>\$ 93,144</u>	<u>\$ 4,395,020</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Waste Disposal & Recycling Fund	N.V. Community Development	N. V. Police Education	Police Drug Task Force	Police Grants	North Vernon-Carnegie Building	Cob Non-Reverting Fund
Cash and investments - beginning	\$ 34,926	\$ 67,776	\$ 32,644	\$ 2,854	\$ 6,594	\$ 5,309	\$ 24,195
Receipts:							
Taxes	-	-	-	-	1,250	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	6,494	-	-	-
Charges for services	122,432	-	12,265	-	-	-	162,500
Fines and forfeits	-	-	1,053	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	208,231	2,370	1,360	-	38,413	-
Total receipts	<u>122,432</u>	<u>208,231</u>	<u>15,688</u>	<u>7,854</u>	<u>1,250</u>	<u>38,413</u>	<u>162,500</u>
Disbursements:							
Personal services	295	9,900	-	5,388	791	-	-
Supplies	78,640	-	17,299	1,531	-	-	-
Other services and charges	-	-	-	1,511	-	24,737	162,500
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	39,436	-	12,978	-	1,250	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>118,371</u>	<u>9,900</u>	<u>30,277</u>	<u>8,430</u>	<u>2,041</u>	<u>24,737</u>	<u>162,500</u>
Excess (deficiency) of receipts over disbursements	<u>4,061</u>	<u>198,331</u>	<u>(14,589)</u>	<u>(576)</u>	<u>(791)</u>	<u>13,676</u>	<u>-</u>
Cash and investments - ending	<u>\$ 38,987</u>	<u>\$ 266,107</u>	<u>\$ 18,055</u>	<u>\$ 2,278</u>	<u>\$ 5,803</u>	<u>\$ 18,985</u>	<u>\$ 24,195</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	In Housing Grant #Dr10R-009-016	Stellar Grant #Scp-010-006	Debt Bond Service	Cumulative Capital Improv.	Greensburg Street Phase I & li	Hayden Pike	Cemetery Per. Care
Cash and investments - beginning	\$ 32	\$ 22,210	\$ 9,409	\$ 91,094	\$ 364,552	\$ 141,105	\$ 7,000
Receipts:							
Taxes	-	-	90,616	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	2,800,652	6,530	18,061	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	241,105	-	-
Total receipts	-	2,800,652	97,146	18,061	241,105	-	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	161	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	452,616	141,105	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	32	2,042,785	40,000	15,000	-	-	-
Total disbursements	32	2,042,785	40,000	15,000	452,777	141,105	-
Excess (deficiency) of receipts over disbursements	(32)	757,867	57,146	3,061	(211,672)	(141,105)	-
Cash and investments - ending	\$ -	\$ 780,077	\$ 66,555	\$ 94,155	\$ 152,880	\$ -	\$ 7,000

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Pay/Roll Fund	Aviation AIP #3-18-0063-14	Aviation AIP #3-18-0063-15	Aviation AIP #3-18-063-016	Aviation	Aviation Rotary Fund	Aviation-Bishop Hangar
Cash and investments - beginning	\$ -	\$ 149,331	\$ 132,226	\$ -	\$ 64,389	\$ 41,533	\$ 22,198
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	88,247	209,084	34,772
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	2,820,683	26,249	1,078,447	10,814	16,446	-	-
Total receipts	2,820,683	26,249	1,078,447	10,814	104,693	209,084	34,772
Disbursements:							
Personal services	2,820,683	-	-	-	2,647	-	-
Supplies	-	-	1,192,779	10,550	3,455	195,411	-
Other services and charges	-	175,580	-	-	107,311	-	28,964
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	17,438	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	2,820,683	175,580	1,192,779	10,550	130,851	195,411	28,964
Excess (deficiency) of receipts over disbursements	-	(149,331)	(114,332)	264	(26,158)	13,673	5,808
Cash and investments - ending	\$ -	\$ -	\$ 17,894	\$ 264	\$ 38,231	\$ 55,206	\$ 28,006

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Stormwater Utility Fund	Sewage Headworks	Long Term Control Plan	Sewage Utility	Sewage Utility Depreciation	Sewage Construction Fund	Debt Service Reserve Account
Cash and investments - beginning	\$ 247,698	\$ 6,915	\$ -	\$ 444,667	\$ 346,051	\$ 1,303,871	\$ 574,183
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	131,948	-	-	1,926,487	-	-	-
Other receipts	-	-	1,520,100	13,842	50,095	744,132	-
Total receipts	<u>131,948</u>	<u>-</u>	<u>1,520,100</u>	<u>1,940,329</u>	<u>50,095</u>	<u>744,132</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	668,116	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	6,915	-	72,322	-	-	-
Utility operating expenses	9,436	-	247,365	362,274	101,113	410,533	-
Other disbursements	90,533	-	-	490,717	-	373	-
Total disbursements	<u>99,969</u>	<u>6,915</u>	<u>247,365</u>	<u>1,593,429</u>	<u>101,113</u>	<u>410,906</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>31,979</u>	<u>(6,915)</u>	<u>1,272,735</u>	<u>346,900</u>	<u>(51,018)</u>	<u>333,226</u>	<u>-</u>
Cash and investments - ending	<u>\$ 279,677</u>	<u>\$ -</u>	<u>\$ 1,272,735</u>	<u>\$ 791,567</u>	<u>\$ 295,033</u>	<u>\$ 1,637,097</u>	<u>\$ 574,183</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Sewage Utility Bond & Interest	Sewage Utility Capacity Fund	Water Line Construction	Water Debt Payment	Water Util. Debt Reserve 2011	Water Filter Valve Upgrade	NV/Mitchell & Stark Retainage
Cash and investments - beginning	\$ 701,750	\$ 98,844	\$ 426	\$ 87,950	\$ 11,893	\$ 130,216	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	89,400	-	-	-	-	-
Other receipts	288,236	141	736,024	118,047	11,891	182,016	18,727
Total receipts	<u>288,236</u>	<u>89,541</u>	<u>736,024</u>	<u>118,047</u>	<u>11,891</u>	<u>182,016</u>	<u>18,727</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	889,172	-	-	158,640	-	-	-
Utility operating expenses	-	50	-	-	-	-	-
Other disbursements	-	-	736,450	-	-	312,232	-
Total disbursements	<u>889,172</u>	<u>50</u>	<u>736,450</u>	<u>158,640</u>	<u>-</u>	<u>312,232</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(600,936)</u>	<u>89,491</u>	<u>(426)</u>	<u>(40,593)</u>	<u>11,891</u>	<u>(130,216)</u>	<u>18,727</u>
Cash and investments - ending	<u>\$ 100,814</u>	<u>\$ 188,335</u>	<u>\$ -</u>	<u>\$ 47,357</u>	<u>\$ 23,784</u>	<u>\$ -</u>	<u>\$ 18,727</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	SRF North Vernon DW S & I	SRF North Vernon DW SRF	Water Operating	Water Works Capital Improvement	Water-Works Depreciation	Water-Works Meter Deposit	Waterworks Revenue Bond-2005
Cash and investments - beginning	\$ 45,432	\$ 438,308	\$ 1,697,727	\$ 222,429	\$ 590,411	\$ 123,668	\$ 9,751
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	2,125,508	-	-	33,550	-
Other receipts	77,568	14,400	233,602	1,382,348	49,071	-	196,081
Total receipts	<u>77,568</u>	<u>14,400</u>	<u>2,359,110</u>	<u>1,382,348</u>	<u>49,071</u>	<u>33,550</u>	<u>196,081</u>
Disbursements:							
Personal services	-	-	603,852	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	75,172	-	-	-	-	-	-
Capital outlay	-	-	-	-	277,376	30,005	196,023
Utility operating expenses	-	-	163,735	101,913	-	-	10
Other disbursements	-	-	2,529,052	172,051	331	-	-
Total disbursements	<u>75,172</u>	<u>-</u>	<u>3,296,639</u>	<u>273,964</u>	<u>277,707</u>	<u>30,005</u>	<u>196,033</u>
Excess (deficiency) of receipts over disbursements	<u>2,396</u>	<u>14,400</u>	<u>(937,529)</u>	<u>1,108,384</u>	<u>(228,636)</u>	<u>3,545</u>	<u>48</u>
Cash and investments - ending	<u>\$ 47,828</u>	<u>\$ 452,708</u>	<u>\$ 760,198</u>	<u>\$ 1,330,813</u>	<u>\$ 361,775</u>	<u>\$ 127,213</u>	<u>\$ 9,799</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Hayden Pike Water	Water Clarifier Project	Water Utility Bond & Int 2010	Water Debt Reserve 2010	Waterworks Refunding Bond 2010	Water Distribution Dr2-09-132	Totals
Cash and investments - beginning	\$ 20,829	\$ 74,555	\$ -	\$ -	\$ 281	\$ 1	\$ 13,921,337
Receipts:							
Taxes	-	-	-	-	-	-	6,393,957
Licenses and permits	-	-	-	-	-	-	3,725
Intergovernmental	-	-	-	-	-	1,082,486	5,458,420
Charges for services	-	-	-	-	-	-	1,120,308
Fines and forfeits	-	-	-	-	-	-	3,273
Utility fees	-	-	-	-	-	-	4,306,893
Other receipts	-	-	77,568	14,400	294,715	-	12,204,191
Total receipts	-	-	77,568	14,400	294,715	1,082,486	29,490,767
Disbursements:							
Personal services	-	-	-	-	-	-	6,447,924
Supplies	-	-	-	-	-	-	2,264,498
Other services and charges	-	-	-	-	-	-	1,622,376
Debt service - principal and interest	-	-	-	-	-	-	1,317,514
Capital outlay	-	-	-	-	294,993	-	3,666,108
Utility operating expenses	-	-	-	-	-	-	1,396,429
Other disbursements	20,829	74,555	77,568	14,400	-	1,082,466	9,732,811
Total disbursements	20,829	74,555	77,568	14,400	294,993	1,082,466	26,447,660
Excess (deficiency) of receipts over disbursements	(20,829)	(74,555)	-	-	(278)	20	3,043,107
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ 21	\$ 16,964,444

CITY OF NORTH VERNON
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2013

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Storm Water	\$ -	\$ 2,360
Wastewater	-	40,600
Water	-	250,039
Airport	-	-
Governmental activities	-	-
Totals	<u>\$ -</u>	<u>\$ 292,999</u>

CITY OF NORTH VERNON
SCHEDULE OF LEASES AND DEBT
December 31, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
TCF Equipment Finance	2012 Peterbilt Loadmaster Packer	\$ 38,557	3/26/2012	3/31/2016
US Bancorp	2013 Fire Truck	<u>37,376</u>	12/15/2013	12/15/2021
Total of annual lease payments		<u>\$ 75,933</u>		
Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year	
Governmental activities:				
General obligation bonds	NV Redevelopment Authority 2013 \$7 835 000.00	\$ 7,120,000	\$ 834,000	
Notes and loans payable	Stellar Grant	<u>1,114,134</u>	<u>169,652</u>	
Total governmental activities		<u>8,234,134</u>	<u>1,003,652</u>	
Wastewater:				
Revenue bonds	Tax Increment and Sewage Works Revenue Bonds of 2006 \$800 000.	500,000	63,065	
Revenue bonds	Tax Increment and Sewage Works Refunding Revenue Bonds of 2006 \$6 140 000	<u>4,500,000</u>	<u>495,271</u>	
Total Wastewater		<u>5,000,000</u>	<u>558,336</u>	
Water:				
Revenue bonds	Waterworks Revenue Bonds of 2005 \$2 500 000	1,705,000	73,982	
Revenue bonds	Waterworks Refunding Revenue Bonds of 2010 \$1 970 000	875,000	294,593	
Revenue bonds	Waterworks Revenue Bonds of 2005 \$2 500 000	1,645,000	201,357	
Notes and loans payable	Waterworks Revenue Bonds of 2010 \$1 196 000	<u>1,284,340</u>	<u>77,247</u>	
Total Water		<u>5,509,340</u>	<u>647,179</u>	
Totals		<u>\$ 18,743,474</u>	<u>\$ 2,209,167</u>	

CITY OF NORTH VERNON
SCHEDULE OF CAPITAL ASSETS
December 31, 2013

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	\$ 1,500,704
Infrastructure	8,287,532
Buildings	4,708,235
Improvements other than buildings	4,352,055
Machinery, equipment, and vehicles	5,890,239
Total governmental activities	24,738,765
Airport:	
Land	1,500,180
Buildings	1,807,760
Improvements other than buildings	5,662,099
Machinery, equipment, and vehicles	169,172
Total Airport	9,139,211
Storm Water:	
Improvements other than buildings	1,300,000
Machinery, equipment, and vehicles	25,037
Total Storm Water	1,325,037
Wastewater:	
Land	91,962
Buildings	325,000
Improvements other than buildings	20,993,182
Machinery, equipment, and vehicles	750,115
Total Wastewater	22,160,259
Water:	
Land	7,800
Buildings	245,599
Improvements other than buildings	8,771,934
Machinery, equipment, and vehicles	236,257
Total Water	9,261,590
Total capital assets	\$ 66,624,862

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of North Vernon's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Report on Internal Control Over Compliance


Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-003 and 2013-004 to be material weaknesses.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

March 11, 2015

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

CITY OF NORTH VERNON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Agriculture</u>				
Water and Waste Program Cluster				
Water and Waste Disposal Systems for Rural Communities	Direct grant	10.760		
Water Line Construction			15-040-356001146	\$ 736,000
Total - Water and Waste Program Cluster				<u>736,000</u>
Total - Department of Agriculture				<u>736,000</u>
<u>Department of Housing and Urban Development</u>				
CDBG - State-Administered CDBG Cluster				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228		
Water Distributions/Water System Project			DR2-09-132	<u>1,082,466</u>
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228		
Stellar Grant Irish Hill Neighborhood Rehab			DR2OR-012-003	<u>68,297</u>
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228		
Stellar Grant			DR2SC-011-002	<u>731,923</u>
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228		
Stellar Planning Façade			ST-11-102	<u>35,600</u>
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Indiana Housing and Community Development Authority	14.228		
Homeowner Repair and Improvement			HD-011-011	<u>5,000</u>
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228		
Stellar Irish Hill Street Improvement			ST-10-001	<u>170,891</u>
Total - CDBG - State-Administered CDBG Cluster				<u>2,094,177</u>
Total - Department of Housing and Urban Development				<u>2,094,177</u>
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster				
Highway Planning and Construction	Indiana Department of Transportation	20.205		
Stellar Grant Downtown Streetscape Phase 1			DES #1172490	<u>70,140</u>
Highway Planning and Construction	Indiana Department of Transportation	20.205		
Stellar Grant Muscatatuck Trail			DES#1173332	<u>67,635</u>
Highway Planning and Construction	Indiana Department of Transportation	20.205		
Stellar Grant Downtown Streetscape Phase 2			DES#1173751	<u>216,724</u>
Total - Highway Planning and Construction Cluster				<u>354,499</u>
Highway Safety Cluster				
State and Community Highway Safety	Indiana Criminal Justice Institute	20.600		
Operation Pull Over			EDS#D3-13-7351	2,994
Operation Pull Over			K4-2013-09-03-02	<u>1,250</u>
Total - State and Community Highway Safety				<u>4,244</u>
Total - Highway Safety Cluster				<u>4,244</u>
Airport Improvement Program	Direct grant	20.106		
AIP-15			AIP-3-18-0063-15-2012	924,870
AIP-16			AIP-3-18-0063-16-2013	<u>9,495</u>
Total - Airport Improvement Program				<u>934,365</u>
Total - Department of Transportation				<u>1,293,108</u>
Total federal awards expended				<u>\$ 4,123,285</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF NORTH VERNON
 NOTES 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 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.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2013:

Program Title	Federal CFDA Number	2013
Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	<u>\$ 73,297</u>

CITY OF NORTH VERNON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.106	CDBG - State-Administered CDBG 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 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the City related to financial transactions and reporting.

Lack of Segregation of Duties: The City has not separated incompatible activities related to receipts, disbursements, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce risks to the achievement of financial reporting objectives.

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

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.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FINDING 2013-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: (a) the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii program (CFDA #14.228) was understated by \$211,471; and (b) the Airport Improvement Program (CFDA #20.106) was overstated by \$181,145. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report.

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.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-003 - INTERNAL CONTROL OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO AIRPORT IMPROVEMENT PROGRAM

Federal Agency: Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): AIP 3-18-0063-15-2012;

AIP 3-18-0063-16-2013

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Davis-Bacon Act, and Procurement and Suspension and Debarment. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

FINDING 2013-004 - INTERNAL CONTROL OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's Program and
Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): DR2-09-132; DR2OR-012-003;
DR2SC-011-002; ST-11-102; ST-10-001

Pass-Through Entity: Indiana Office of Community and Rural Affairs

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Cash Management, Davis-Bacon Act, and Procurement and Suspension and Debarment. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

AUDITEE PREPARED DOCUMENTS

The subsequent documents were provided by management of the City. The documents are presented as intended by the City.



CITY OF NORTH VERNON

HAROLD "SOUP" CAMPBELL, MAYOR

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-3 – INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

Original SBA Audit Report Number:	B43334
Fiscal Year	2012
Auditee Contact Person	R. Shawn Gerkin
Title of Contact Person	Clerk-Treasurer
Phone Number	(812) 346-5907

Status of Finding: The City responded to the above finding by saying "we plan to have proper internal controls in place to properly monitor the subrecipients." Since that time, all grant monies received through CDBG funded projects are properly monitored each month by both the clerk treasurer's office AND through our grant writers with Administrative Resources Association. This is done by having both parties review money spent by reviewing a monthly transaction register and signing a reconciliation form for all CDBG funded projects (I have attached an example). I believe the project in question and subsequent money passed through to Southern Indiana Housing and Community Development has now been completed, but we would continue to monitor any additional money in a similar way.

FINDING 2012-4 – SUBRECIPIENT MONITORING

Original SBA Audit Report Number:	B43334
Fiscal Year	2012
Auditee Contact Person	R. Shawn Gerkin
Title of Contact Person	Clerk-Treasurer
Phone Number	(812) 346-5907

Status of Finding: Same as above

Sincerely,

R Shawn Gerkin, Clerk Treasurer, City of North Vernon

**Reconciliation Form for
City of North Vernon
CDBG Funded Projects**

The City of North Vernon Monthly Transaction Register and the Financial Management CDBG forms per each project have been compared and the transactions reconciled to one another for 1/1/14 to 2/28/14.

Carrie Riley
Carrie Riley, Grants Management

3/14/14
Date

Rita L Elmore
Rita Elmore, Deputy Clerk Treasurer

3/14/14
Date



NORTH VERNON MUNICIPAL AIRPORT

645 East Co. Rd. 450 North
North Vernon, IN 47265
(812) 346-5223

Ryan A. Curry
Airport Director

OVO

To Whom It May Concern,

October 21, 2014

During the State Board of Accounts audit of the year 2012 there were two findings related directly to the airport (2012-5 and 2012-6). Finding number 2012-5 related to internal controls and 2012-6 focused on cash management.

As soon as the Airport Director and the North Vernon Board of Aviation Commissioners were made aware of these findings we developed a corrective action plan. That corrective action plan, which is attached, was adopted and has been followed closely since.

The North Vernon Municipal Airport works very closely with the FAA to insure compliance with all of the grant assurances. We have worked hard in coordination with the FAA and SBA to improve in these areas and we look forward to working with both agencies in the future.

Thank You,

Ryan A. Curry

Airport Director
North Vernon Municipal Airport



NORTH VERNON MUNICIPAL AIRPORT

645 East Co. Rd. 450 North
North Vernon, IN 47265
(812) 346-5223

Ryan A. Curry
Airport Director

OVO

During a recent State Board of Accounts Audit of the City of North Vernon with the North Vernon Municipal Airport as a subpart of that audit received a notification that there were issues with 2 items pertaining to the Federal aid projects.

Specifically Finding 2012-5 & 2012-6 of the SBA audit pertained to airport and federal funds.

Finding 2012-5 – Internal Controls over Compliance requirements that have a direct and material effect to Airport Improvement Program

Finding 2012-6 – Cash Management

- Under Finding 2012-5, SBA reported that local community does not have an established effective internal control system with segregation of duties which could place the city at risk of compliance with requirements.

The airport and local community does have practice in place that provides for segregation of duties to ensure compliance to the FAA Grant Assurances.

The summary of the process is provided below:

1. The claims are collected and submitted by either the vender or aviation consultant to the airport for review/approval at the monthly BOAC meetings.
2. Upon review and approval by the BOAC the Pay Request are submitted electronically to the FAA through the E-Invoicing system by the Grant Administrator of the Aviation Consultant.
3. The local community maintains separate accounts for each grant project to maintain a separation between the multiple projects that may be underway simultaneously.

4. The E-Invoicing system provided notification of payments to the Airport Consultant's Grant Administrator, Airport Director & City Clerk Treasurer. This notification provides all 3 entities a notification that deposits have been made and allows for separation of duties as well as redundancy to ensure that payments are processed in a timely and efficient manner.

5. The claims are taken by the airport director to the City Clerk Treasurer for processing and payment.

6. Claims are presented at a BOAC meeting via a claim docket and reviewed and approved by the BOAC.

- Under Finding 2012-6, SBA documented that on an occurrence the local community received reimbursements and help payment for up to 133 days prior to payment.

This issue occurred in February of 2012. The delayed payment happened on BF&S invoices. This was discovered and rectified immediately with several modifications to how the airport and BF&S were presenting and processing claims.

The list of some of the common practices modifications that were developed since February of 2012 is provided below:

1. Monthly AR Reports are presented to the airport on a monthly basis
2. Co-monitoring of the E-Invoicing system by the BF&S Grant Administrator assists the local community in timely processing and distribution of reimbursements to the appropriate account when multiple grants are open at any given time.
3. At the time of this occurrence the airport had 4 open grants, since then multiple grants have been closed and the amount of effort to manage those open grants has been significantly reduced which

aids in timely processing of payments. The airport currently only has 2 open grants and both are scheduled to be financially closed within the next 2 months.

4. Electronic payment processing of reimbursements by the FAA has expedited local community receipt of funds which aids in cash management process.

5. FAA Electronic notification of reimbursement processing allows for a significant improvement to the claim processing and has significantly reduced any potential errors associated with receipt of FAA reimbursements.

6. Since the February 2012 instance the airport has not had any significant issues in delayed payments which proves that the actions that airport put into place have been effective to remedy the situation.

The City of North Vernon and the North Vernon Municipal Airport work very diligently to comply with our FAA grant Assurances. We have also worked hard to improve in the areas in which the State Board of Accounts believes us to be deficient and look forward to working with the FAA on future projects.

Respectfully Submitted,


Charles E. Carson

North Vernon BOAC President

Ryan A. Curry


Airport Director



CITY OF NORTH VERNON

CLERK-TREASURER
143 E. WALNUT STREET
NORTH VERNON, IN 47265

(812) 346-5907

FAX (812) 346-8145

RAYMOND SHAWN GERKIN, CLERK-TREASURER
TREASURER

RITA L. ELMORE, ASST. CLERK-TREASURER

CORRECTIVE ACTION PLAN


FINDING 2013 - 001- INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: R. Shawn Gerkin
Contact Phone Number: (812) 346-5907

Description of Corrective Action Plan: Due to the fact that City of North Vernon has a small staff in the Clerk Treasurer's Office and the Utility office, it is impractical to segregate duties in an ideal manner.

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

Anticipated Completion Date: Immediately.



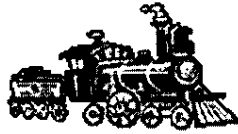
(Signature)

CLERK TREASURER

(Title)

03/05/2015

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2013 - 002- PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: R. Shawn Gerkin
Contact Phone Number: (812) 346-5907

Description of Corrective Action Plan: The City has begun working more closely with our grant writers to review expenditures on federal projects by having both parties review and sign off on a monthly transaction register and signing a reconciliation form for projects.

Anticipated Completion Date: Immediately



(Signature)

CLERK TREASURER

(Title)

03/05/2015

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2013-003- INTERNAL CONTROL OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO AIRPORT IMPROVEMENT PROGRAM

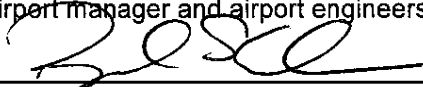
Contact Person Responsible for Corrective Action: R. Shawn Gerkin
Contact Phone Number: (812) 346-5907

Description of Corrective Action Plan:

As a part of the Davis Bacon process in which the payrolls of the contractors needs to be reviewed, I would recommend that the designated city staff attend the preconstruction meetings where the federal rules and regulations are discussed with the contractor. This will show that the city has seen that the rules and regulations have been communicated to all parties involved. I would then recommend that the grant administrator and city staff meet to review the initial payrolls and paperwork documentation after two weeks of forms have been received. Once this has been done and all parties can see that the correct wages are being paid. The grant administrator will then meet with the city staff on a monthly basis to review the payrolls and interviews done to date. Both parties will then sign off on a checklist that this has been done.

This checklist will also cover areas regarding the Procurements, Suspension and Debarment Process. The city and grant administrator are already looking at monthly balances of the federal funds to ensure that the receipts and expenditures are being channeled to the correct projects. The next step to better assist the city in the internal controls will be for the grant administrator to send the city staff a copy of the financial reports used for each project so both parties have the grantee financials sheets as well as the city's balance sheet.

Anticipated Completion Date: 06/01/2015, or after discussion with airport manager and airport engineers.



 (Signature)

CLERK TREASURER

 (Title)

03/05/2015

 (Date)

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the City. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.