

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, 2014 to December 31, 2014



FILED
11/03/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	R. Shawn Gerkin	01-01-12 to 12-31-19
Mayor	Harold N. Campbell Michael Ochs	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Board of Public Works	Harold N. Campbell Michael Ochs	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President Pro Tempore of the Common Council	David Shaw Brian Hatfield	01-01-14 to 12-31-15 01-01-16 to 12-31-16
Utility Office Manager	Deanna Salyers Robin L. Jones (Vacant) Traci Wahlman-Ickx (Vacant) Gloria Bennett	01-01-14 to 06-15-14 06-16-14 to 08-10-15 08-11-15 to 11-29-15 11-30-15 to 02-26-16 02-27-16 to 04-17-16 04-18-16 to 12-31-16



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, 2014, and the related notes to the financial statement as listed in the Table of Contents.

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, 2014.

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, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

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.

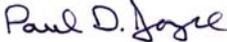
Other Information

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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 14, 2016, 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.


Paul D. Joyce, CPA
State Examiner

September 14, 2016



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON 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, 2014, and the related notes to the financial statement, and have issued our report thereon dated September 14, 2016, 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 2014-001 and 2014-002 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

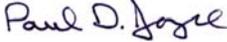
As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 2014-002.

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 Plan. 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

September 14, 2016

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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, 2014

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
General	\$ 1,116,264	\$ 3,057,478	\$ 3,038,761	\$ 1,134,981
Motor Vehicle	118,948	480,548	481,465	118,031
Local Road & Street	84,528	30,860	40,267	75,121
Riverboat Tax Revenue	310,350	39,856	39,856	310,350
Recreation	82,563	126,069	140,939	67,693
Rainy Day	26,607	-	-	26,607
Levy Excess	16,326	-	-	16,326
Cumulative Cap.Develop.Fund	112,585	101,902	88,529	125,958
CEDIT Fund	137,547	308,073	151,327	294,293
Police Pension Fund	277,498	116,447	81,240	312,705
City of NV/Windstream Technology	150,144	75,000	-	225,144
NV/Exegistics	4,639	-	-	4,639
D/J Equitable Sharing Program	2,117	-	-	2,117
Annexation	11,586	45,000	35,744	20,842
Cemetery	36,246	30,166	27,250	39,162
Police Donation Fund	4,531	1,498	1,189	4,840
Festival Non-Reverting	1,672	10,250	8,217	3,705
Street Cut Fund	5,500	1,000	500	6,000
Fire Dept. Non-Reverting	8,876	-	-	8,876
Recreation Non-Reverting	9,470	70,388	71,365	8,493
Alarm Fee Non-Reverting Fund	9,508	1,135	3,606	7,037
Concession Fund	5,855	5,000	2,521	8,334
Impound Fee Non-Reverting	8,574	1,740	659	9,655
NV Education & Training Center	93,144	109,994	147,144	55,994
No. Vernon Redevelopment Comm.	4,395,020	3,169,683	2,634,107	4,930,596
Waste Disposal & Recycling Fee	38,987	138,472	139,612	37,847
N.V. Community Development	266,107	139,000	-	405,107
N.V. Police Education	18,055	10,471	13,324	15,202
Police Drug Task Force	2,278	4,540	5,363	1,455
Police Grants	5,803	6,071	9,505	2,369
North Vernon-Carnegie Building	18,985	34,175	27,338	25,822
COB Non-Reverting Fund	24,195	876,160	785,255	115,100
Stellar Grant #SCP-010-006	780,077	1,313,043	1,442,853	650,267
Debt Bond Service	66,555	7,873	60,000	14,428
Cumulative Capital Improv.	94,155	17,796	15,000	96,951
Greensburg Street Phase I & II	152,880	68,663	186,515	35,028
Cemetery Per. Care	7,000	-	-	7,000
Pay/Roll Fund	-	2,876,514	2,876,514	-
Aviation AIP #3-18-0063-15	17,894	102,885	120,779	-
Aviation AIP #3-18-0063-16	264	183,612	183,876	-
Aviation AIP #3-18-0063-17	-	146,250	86,250	60,000
Aviation Commission	38,231	193,753	177,805	54,179
Aviation Rotary Fund	55,206	188,706	177,126	66,786
Aviation Hangar	28,006	27,600	25,660	29,946
Stormwater Utility Fund	279,677	130,568	67,410	342,835
Long Term Control Plan	1,272,735	757	982,829	290,663
Sewage Utility	791,567	2,094,545	2,175,346	710,766
Sewage Utility Depreciation	295,033	55,901	59,598	291,336
Sewage Improvement Fund	1,637,097	639,816	208,840	2,068,073
Debt Service Reserve Account	574,183	-	-	574,183
Sewage Utility Bond & Interest	100,814	241,968	241,510	101,272
Sewage Utility Capacity Fund	188,335	38,342	600	226,077
Water Debt Payment	47,357	177,736	118,444	106,649
Water Util. Debt Reserve 2011	23,784	11,892	-	35,676
NV/Mitchell & Stark Retainage	18,727	141,150	89,302	70,575
SRF North Vernon DW S & I	47,828	77,300	77,915	47,213
SRF North Vernon DW SRF	452,708	14,400	-	467,108
NV/Brackney Inc. Retainage	-	39,280	-	39,280
Water Operating	760,198	2,146,900	2,421,022	486,076
Water Works Capital Improvement	1,330,813	587,266	1,828,039	90,040
Water-Works Depreciation	361,775	48,792	171,839	238,728
Water-Works Meter Deposit	127,213	31,825	28,760	130,278
Waterworks Revenue Bond-2005	9,799	201,586	201,153	10,232
Water Utility Bond & Int 2010	-	77,300	77,300	-
Water Debt Reserve 2010	-	14,400	14,400	-
Waterworks Refunding Bond 2010	3	297,338	297,341	-
Water Distribution DR2-09-132	21	-	21	-
Totals	\$ 16,964,443	\$ 21,186,733	\$ 22,389,130	\$ 15,762,046

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 tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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 the following: peddler licenses, dog tax licenses, auctioneer licenses, 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 these types of receipts include, but are not limited to, the following: federal grants, state grants, cigarette

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENT
(Continued)

tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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 including, but 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, which 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, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest, which includes 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 includes all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

CITY OF NORTH 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 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, the following: 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 a cost-sharing 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
One North Capitol, 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
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy

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

Note 7. Subsequent Events

The City began a construction project for the Wastewater Treatment Plant in 2015, termed the Long Term Control Plan, a system designed to treat storm water during a 10 year/1 hour rain event. A Sewage Works Revenue bond funded by the State Revolving Fund (SRF) in the amount of \$6,500,000 was used as payment for construction. The loan was closed November 17, 2015. The substantial completion date of the project is February 2017.

The North Vernon Redevelopment Commission obtained a Tax of \$6,000,000 on May 14, 2015, for the purpose of funding construction costs Increment in the amount for the Quarry Project and clean-up of the 5th Street fire block. Payments are due semiannually on February 1st and August 1st to Cedar Rapids Bank.

OTHER INFORMATION - UNAUDITED

The City's Annual Financial 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 City's Annual Financial Report 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 other 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, 2014

	General	Motor Vehicle	Local Road & Street	Riverboat Tax Revenue	Recreation	Rainy Day	Levy Excess
Cash and investments - beginning	\$ 1,116,264	\$ 118,948	\$ 84,528	\$ 310,350	\$ 82,563	\$ 26,607	\$ 16,326
Receipts:							
Taxes	1,769,944	222,686	-	-	115,684	-	-
Licenses and permits	200	-	-	-	-	-	-
Intergovernmental receipts	1,150,662	254,797	27,554	39,856	9,248	-	-
Charges for services	65,686	-	-	-	1,137	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	70,986	3,065	3,306	-	-	-	-
Total receipts	<u>3,057,478</u>	<u>480,548</u>	<u>30,860</u>	<u>39,856</u>	<u>126,069</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	1,810,454	369,559	-	-	105,432	-	-
Supplies	889,950	106,455	-	-	1,718	-	-
Other services and charges	245,087	3,923	3,455	-	26,739	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	93,270	1,528	36,812	-	7,050	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	39,856	-	-	-
Total disbursements	<u>3,038,761</u>	<u>481,465</u>	<u>40,267</u>	<u>39,856</u>	<u>140,939</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>18,717</u>	<u>(917)</u>	<u>(9,407)</u>	<u>-</u>	<u>(14,870)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,134,981</u>	<u>\$ 118,031</u>	<u>\$ 75,121</u>	<u>\$ 310,350</u>	<u>\$ 67,693</u>	<u>\$ 26,607</u>	<u>\$ 16,326</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Cumulative Cap.Develop.Fund	CEDIT Fund	Police Pension Fund	City of NV/Windstream Technology	NV/Exegistics	D/J Equitable Sharing Program	Annexation
Cash and investments - beginning	\$ 112,585	\$ 137,547	\$ 277,498	\$ 150,144	\$ 4,639	\$ 2,117	\$ 11,586
Receipts:							
Taxes	94,359	-	113,822	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	7,543	308,073	2,625	-	-	-	-
Charges for services	-	-	-	75,000	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	45,000
Total receipts	<u>101,902</u>	<u>308,073</u>	<u>116,447</u>	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>45,000</u>
Disbursements:							
Personal services	-	-	81,140	-	-	-	-
Supplies	88,529	-	-	-	-	-	-
Other services and charges	-	2,100	100	-	-	-	35,744
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	149,227	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>88,529</u>	<u>151,327</u>	<u>81,240</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,744</u>
Excess (deficiency) of receipts over disbursements	<u>13,373</u>	<u>156,746</u>	<u>35,207</u>	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>9,256</u>
Cash and investments - ending	<u>\$ 125,958</u>	<u>\$ 294,293</u>	<u>\$ 312,705</u>	<u>\$ 225,144</u>	<u>\$ 4,639</u>	<u>\$ 2,117</u>	<u>\$ 20,842</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Cemetery	Police Donation Fund	Festival Non-Reverting	Street Cut Fund	Fire Dept. Non-Reverting	Recreation Non-Reverting
Cash and investments - beginning	\$ 36,246	\$ 4,531	\$ 1,672	\$ 5,500	\$ 8,876	\$ 9,470
Receipts:						
Taxes	26,798	-	-	-	-	-
Licenses and permits	-	-	-	1,000	-	-
Intergovernmental receipts	2,142	-	-	-	-	-
Charges for services	1,200	-	-	-	-	69,952
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	26	1,498	10,250	-	-	436
Total receipts	<u>30,166</u>	<u>1,498</u>	<u>10,250</u>	<u>1,000</u>	<u>-</u>	<u>70,388</u>
Disbursements:						
Personal services	5,200	-	-	-	-	-
Supplies	21,079	-	599	-	-	3,136
Other services and charges	911	-	7,618	-	-	68,229
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	60	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	1,189	-	500	-	-
Total disbursements	<u>27,250</u>	<u>1,189</u>	<u>8,217</u>	<u>500</u>	<u>-</u>	<u>71,365</u>
Excess (deficiency) of receipts over disbursements	<u>2,916</u>	<u>309</u>	<u>2,033</u>	<u>500</u>	<u>-</u>	<u>(977)</u>
Cash and investments - ending	<u>\$ 39,162</u>	<u>\$ 4,840</u>	<u>\$ 3,705</u>	<u>\$ 6,000</u>	<u>\$ 8,876</u>	<u>\$ 8,493</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Alarm Fee Non-Reverting Fund	Concession Fund	Impound Fee Non-Reverting	NV Education & Training Center	No. Vernon Redevelopment Comm.	Waste Disposal & Recycling Fee
Cash and investments - beginning	\$ 9,508	\$ 5,855	\$ 8,574	\$ 93,144	\$ 4,395,020	\$ 38,987
Receipts:						
Taxes	-	-	-	-	2,518,830	-
Licenses and permits	1,135	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	5,000	-	109,693	-	138,464
Fines and forfeits	-	-	1,740	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	301	650,853	8
Total receipts	<u>1,135</u>	<u>5,000</u>	<u>1,740</u>	<u>109,994</u>	<u>3,169,683</u>	<u>138,472</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	3,606	1,687	-	-	-	27,830
Other services and charges	-	834	-	147,144	1,280,007	73,225
Debt service - principal and interest	-	-	-	-	643,289	-
Capital outlay	-	-	659	-	110,811	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	600,000	38,557
Total disbursements	<u>3,606</u>	<u>2,521</u>	<u>659</u>	<u>147,144</u>	<u>2,634,107</u>	<u>139,612</u>
Excess (deficiency) of receipts over disbursements	<u>(2,471)</u>	<u>2,479</u>	<u>1,081</u>	<u>(37,150)</u>	<u>535,576</u>	<u>(1,140)</u>
Cash and investments - ending	<u>\$ 7,037</u>	<u>\$ 8,334</u>	<u>\$ 9,655</u>	<u>\$ 55,994</u>	<u>\$ 4,930,596</u>	<u>\$ 37,847</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	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	\$ 266,107	\$ 18,055	\$ 2,278	\$ 5,803	\$ 18,985	\$ 24,195
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	4,500	3,000	-	-
Charges for services	-	9,075	-	-	6,000	162,500
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>139,000</u>	<u>1,396</u>	<u>40</u>	<u>3,071</u>	<u>28,175</u>	<u>713,660</u>
Total receipts	<u>139,000</u>	<u>10,471</u>	<u>4,540</u>	<u>6,071</u>	<u>34,175</u>	<u>876,160</u>
Disbursements:						
Personal services	-	-	4,929	2,860	-	27,813
Supplies	-	-	434	6,645	-	95,816
Other services and charges	-	-	-	-	27,338	7,954
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	13,324	-	-	-	653,672
Total disbursements	<u>-</u>	<u>13,324</u>	<u>5,363</u>	<u>9,505</u>	<u>27,338</u>	<u>785,255</u>
Excess (deficiency) of receipts over disbursements	<u>139,000</u>	<u>(2,853)</u>	<u>(823)</u>	<u>(3,434)</u>	<u>6,837</u>	<u>90,905</u>
Cash and investments - ending	<u>\$ 405,107</u>	<u>\$ 15,202</u>	<u>\$ 1,455</u>	<u>\$ 2,369</u>	<u>\$ 25,822</u>	<u>\$ 115,100</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Stellar Grant #SCP-010-006	Debt Bond Service	Cumulative Capital Improv.	Greensburg Street Phase I & II	Cemetery Per. Care	Pay/Roll Fund
Cash and investments - beginning	\$ 780,077	\$ 66,555	\$ 94,155	\$ 152,880	\$ 7,000	\$ -
Receipts:						
Taxes	-	7,360	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	513	17,796	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	1,313,043	-	-	68,663	-	2,876,514
Total receipts	<u>1,313,043</u>	<u>7,873</u>	<u>17,796</u>	<u>68,663</u>	<u>-</u>	<u>2,876,514</u>
Disbursements:						
Personal services	-	-	-	-	-	2,876,514
Supplies	-	-	-	44,628	-	-
Other services and charges	-	-	-	141,887	-	-
Debt service - principal and interest	-	60,000	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,442,853	-	15,000	-	-	-
Total disbursements	<u>1,442,853</u>	<u>60,000</u>	<u>15,000</u>	<u>186,515</u>	<u>-</u>	<u>2,876,514</u>
Excess (deficiency) of receipts over disbursements	<u>(129,810)</u>	<u>(52,127)</u>	<u>2,796</u>	<u>(117,852)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 650,267</u>	<u>\$ 14,428</u>	<u>\$ 96,951</u>	<u>\$ 35,028</u>	<u>\$ 7,000</u>	<u>\$ -</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Aviation AIP #3-18-0063-15	Aviation AIP #3-18-0063-16	Aviation AIP #3-18-0063-17	Aviation Commission	Aviation Rotary Fund	Aviation Hangar
Cash and investments - beginning	\$ 17,894	\$ 264	\$ -	\$ 38,231	\$ 55,206	\$ 28,006
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	162,826	188,706	27,600
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>102,885</u>	<u>183,612</u>	<u>146,250</u>	<u>30,927</u>	<u>-</u>	<u>-</u>
Total receipts	<u>102,885</u>	<u>183,612</u>	<u>146,250</u>	<u>193,753</u>	<u>188,706</u>	<u>27,600</u>
Disbursements:						
Personal services	-	-	-	2,941	-	-
Supplies	-	-	-	5,973	157,698	-
Other services and charges	110,719	182,787	4,000	137,713	-	1,060
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	31,178	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>10,060</u>	<u>1,089</u>	<u>82,250</u>	<u>-</u>	<u>19,428</u>	<u>24,600</u>
Total disbursements	<u>120,779</u>	<u>183,876</u>	<u>86,250</u>	<u>177,805</u>	<u>177,126</u>	<u>25,660</u>
Excess (deficiency) of receipts over disbursements	<u>(17,894)</u>	<u>(264)</u>	<u>60,000</u>	<u>15,948</u>	<u>11,580</u>	<u>1,940</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 54,179</u>	<u>\$ 66,786</u>	<u>\$ 29,946</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Stormwater Utility Fund	Long Term Control Plan	Sewage Utility	Sewage Utility Depreciation	Sewage Improvement Fund	Debt Service Reserve Account
Cash and investments - beginning	\$ 279,677	\$ 1,272,735	\$ 791,567	\$ 295,033	\$ 1,637,097	\$ 574,183
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	130,568	-	1,979,541	-	-	-
Other receipts	-	757	115,004	55,901	639,816	-
Total receipts	<u>130,568</u>	<u>757</u>	<u>2,094,545</u>	<u>55,901</u>	<u>639,816</u>	<u>-</u>
Disbursements:						
Personal services	-	-	681,329	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	783,279	391,228	-	-	-
Utility operating expenses	62,410	-	44,627	-	208,840	-
Other disbursements	5,000	199,550	1,058,162	59,598	-	-
Total disbursements	<u>67,410</u>	<u>982,829</u>	<u>2,175,346</u>	<u>59,598</u>	<u>208,840</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>63,158</u>	<u>(982,072)</u>	<u>(80,801)</u>	<u>(3,697)</u>	<u>430,976</u>	<u>-</u>
Cash and investments - ending	<u>\$ 342,835</u>	<u>\$ 290,663</u>	<u>\$ 710,766</u>	<u>\$ 291,336</u>	<u>\$ 2,068,073</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, 2014
 (Continued)

	Sewage Utility Bond & Interest	Sewage Utility Capacity Fund	Water Debt Payment	Water Utl. Debt Reserve 2011	NV/Mitchell & Stark Retainage	SRF North Vernon DW S & I
Cash and investments - beginning	\$ 100,814	\$ 188,335	\$ 47,357	\$ 23,784	\$ 18,727	\$ 47,828
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	37,892	-	-	-	-
Other receipts	241,968	450	177,736	11,892	141,150	77,300
Total receipts	<u>241,968</u>	<u>38,342</u>	<u>177,736</u>	<u>11,892</u>	<u>141,150</u>	<u>77,300</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	118,444	-	-	77,915
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	600	-	-	-	-
Other disbursements	241,510	-	-	-	89,302	-
Total disbursements	<u>241,510</u>	<u>600</u>	<u>118,444</u>	<u>-</u>	<u>89,302</u>	<u>77,915</u>
Excess (deficiency) of receipts over disbursements	<u>458</u>	<u>37,742</u>	<u>59,292</u>	<u>11,892</u>	<u>51,848</u>	<u>(615)</u>
Cash and investments - ending	<u>\$ 101,272</u>	<u>\$ 226,077</u>	<u>\$ 106,649</u>	<u>\$ 35,676</u>	<u>\$ 70,575</u>	<u>\$ 47,213</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	SRF North Vernon DW SRF	NV/Brackney Inc. Retainage	Water Operating	Water Works Capital Improvement	Water-Works Depreciation	Water-Works Meter Deposit
Cash and investments - beginning	\$ 452,708	\$ -	\$ 760,198	\$ 1,330,813	\$ 361,775	\$ 127,213
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	2,114,514	-	-	-
Other receipts	14,400	39,280	32,386	587,266	48,792	31,825
Total receipts	<u>14,400</u>	<u>39,280</u>	<u>2,146,900</u>	<u>587,266</u>	<u>48,792</u>	<u>31,825</u>
Disbursements:						
Personal services	-	-	932,201	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	1,664,199	-	-
Utility operating expenses	-	-	143,494	-	-	-
Other disbursements	-	-	1,345,327	163,840	171,839	28,760
Total disbursements	<u>-</u>	<u>-</u>	<u>2,421,022</u>	<u>1,828,039</u>	<u>171,839</u>	<u>28,760</u>
Excess (deficiency) of receipts over disbursements	<u>14,400</u>	<u>39,280</u>	<u>(274,122)</u>	<u>(1,240,773)</u>	<u>(123,047)</u>	<u>3,065</u>
Cash and investments - ending	<u>\$ 467,108</u>	<u>\$ 39,280</u>	<u>\$ 486,076</u>	<u>\$ 90,040</u>	<u>\$ 238,728</u>	<u>\$ 130,278</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Waterworks Revenue Bond-2005	Water Utility Bond & Int 2010	Water Debt Reserve 2010	Waterworks Refunding Bond 2010	Water Distribution DR2-09-132	Totals
Cash and investments - beginning	\$ 9,799	\$ -	\$ -	\$ 3	\$ 21	\$ 16,964,443
Receipts:						
Taxes	-	-	-	-	-	4,869,483
Licenses and permits	-	-	-	-	-	2,335
Intergovernmental receipts	-	-	-	-	-	1,828,309
Charges for services	-	-	-	-	-	1,022,839
Fines and forfeits	-	-	-	-	-	1,740
Utility fees	-	-	-	-	-	4,262,515
Other receipts	<u>201,586</u>	<u>77,300</u>	<u>14,400</u>	<u>297,338</u>	<u>-</u>	<u>9,199,512</u>
Total receipts	<u>201,586</u>	<u>77,300</u>	<u>14,400</u>	<u>297,338</u>	<u>-</u>	<u>21,186,733</u>
Disbursements:						
Personal services	-	-	-	-	-	6,900,372
Supplies	-	-	-	-	-	1,455,783
Other services and charges	-	-	-	-	-	2,508,574
Debt service - principal and interest	-	-	-	297,330	-	1,196,978
Capital outlay	-	-	-	-	-	3,269,301
Utility operating expenses	-	-	-	-	-	459,971
Other disbursements	<u>201,153</u>	<u>77,300</u>	<u>14,400</u>	<u>11</u>	<u>21</u>	<u>6,598,151</u>
Total disbursements	<u>201,153</u>	<u>77,300</u>	<u>14,400</u>	<u>297,341</u>	<u>21</u>	<u>22,389,130</u>
Excess (deficiency) of receipts over disbursements	<u>433</u>	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>(21)</u>	<u>(1,202,397)</u>
Cash and investments - ending	<u>\$ 10,232</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,762,046</u>

CITY OF NORTH VERNON
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2014

Government or Enterprise	Accounts Payable	Accounts Receivable
Airport	\$ -	\$ -
Storm Water	-	13,396
Wastewater	-	216,344
Water	-	118,842
Governmental activities	-	-
Totals	<u>\$ -</u>	<u>\$ 348,582</u>

CITY OF NORTH VERNON
SCHEDULE OF LEASES AND DEBT
December 31, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
TCF Equipment Finance	2012 Peterbilt Loadmaster Packer	\$ 38,587	3/26/2012	3/31/2016
US Bancorp	2013 Fire Truck	<u>37,458</u>	12/15/2013	12/15/2021
Total of annual lease payments		<u>\$ 76,045</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	\$ 833,000
Notes and loans payable	Stellar Grant	<u>1,068,844</u>	<u>84,826</u>
Total governmental activities		<u>8,188,844</u>	<u>917,826</u>
Wastewater:			
Revenue bonds	Tax Increment and Sewage Works Revenue Bonds of 2006 \$800 000.	460,000	61,320
Revenue bonds	Tax Increment and Sewage Works Refunding Revenue Bonds of 2006 \$6 140 000	4,210,000	498,788
Notes and loans payable	Sewage Works Bond Anticipation Note of 2014	<u>1,520,000</u>	<u>27,968</u>
Total Wastewater		<u>6,190,000</u>	<u>588,076</u>
Water:			
Revenue bonds	Waterworks Refunding Revenue Bonds of 2010 \$1 970 000	835,000	297,330
Revenue bonds	Waterworks Revenue Bonds of 2005 \$2 500 000	1,455,000	200,455
Notes and loans payable	Waterworks Revenue Bonds of 2010 \$1 196 000	1,008,000	77,899
Notes and loans payable	Waterworks Revenue Bonds of 2011	<u>2,959,000</u>	<u>118,285</u>
Total Water		<u>6,257,000</u>	<u>693,969</u>
Totals		<u>\$ 20,635,844</u>	<u>\$ 2,199,871</u>

CITY OF NORTH VERNON
SCHEDULE OF CAPITAL ASSETS
December 31, 2014

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	\$ 2,356,435
Infrastructure	8,287,532
Buildings	5,117,431
Improvements other than buildings	3,182,055
Machinery, equipment, and vehicles	6,162,392
Total governmental activities	25,105,845
Airport:	
Land	1,500,180
Buildings	1,807,760
Improvements other than buildings	5,662,099
Machinery, equipment, and vehicles	351,681
Total Airport	9,321,720
Storm Water:	
Improvements other than buildings	1,800,000
Machinery, equipment, and vehicles	25,037
Total Storm Water	1,825,037
Wastewater:	
Land	421,962
Buildings	325,000
Improvements other than buildings	23,993,182
Machinery, equipment, and vehicles	867,935
Total Wastewater	25,608,079
Water:	
Land	14,300
Buildings	804,441
Improvements other than buildings	9,248,713
Machinery, equipment, and vehicles	621,154
Total Water	10,688,608
Total capital assets	\$ 72,549,289

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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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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, 2014. 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, 2014.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-005. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance 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.

Report on Internal Control over Compliance

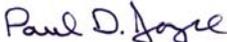
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of 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 2014-003, 2014-004, and 2014-005 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

September 14, 2016

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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, 2014

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	Pass-Through To Subrecipient	Total Federal Awards Expended
<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 Housing and Community Development Authority	14.228			
Stellar Grant Irish Hill Neighborhood Rehab			DR2OR-012-003	\$ 421,680	\$ 421,680
Stellar Grant			DR2SC-011-002	-	193,077
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228			
Stellar Facades			ST-12-100	-	517,479
Total - CDBG - State-Administered CDBG Cluster				421,680	1,132,236
Total - Department of Housing and Urban Development				421,680	1,132,236
<u>Department of Justice</u>					
Bulletproof Vest Partnership Program	Direct Grant	16.607			
Bulletproof Vest			OMB#1121-0235	-	1,571
Total - Department of Justice				-	1,571
<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	-	39,819
Stellar Grant Downtown Streetscape Phase 2			DES# 1173751	-	94,054
Total - Highway Planning and Construction Cluster				-	133,873
Airport Improvement Program					
AIP 17	Direct Grant	20.106	AIP-13-18-0063-17	-	146,250
AIP 16			AIP-3-18-0063-16	-	164,267
AIP-15			AIP-13-18-0063-15	-	101,722
Total - Airport Improvement Program				-	412,239
Highway Safety Cluster					
State and Community Highway Safety Operation Pull Over	Indiana Criminal Justice Institute	20.600	EDS# D3-14-8212	-	3,000
Total - Highway Safety Cluster				-	3,000
Total - Department of Transportation				-	549,112
Total federal awards expended				\$ 421,680	\$ 1,682,919

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 (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2014. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-133, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

CITY OF NORTH VERNON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were deficiencies in the internal control system of the City related to financial transactions and reporting.

Lack of Segregation of Duties: The City had not separated incompatible activities related to receipts, disbursements, and cash and investment balances. Employees responsible for issuing receipts and checks were also responsible for depositing receipts, recording transactions in the financial accounting system, and reconciling the funds ledger to the depository balance. Control activities should be in place to reduce the risks of errors in financial reporting.

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

Criteria

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)

Cause

Management of the City had not established a proper system of internal control.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

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 Deputy Clerk-Treasurer was responsible for preparation of the SEFA. There was no control in place to ensure the SEFA was accurate.

During the audit of the SEFA, there were the following errors:

1. The Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii program (CFDA #14.228) was overstated by \$84,905.
2. The Bulletproof Vest Partnership Program (CFDA #16.607) was overstated by \$3,574.
3. The Highway Planning and Construction program (CFDA 20.205) was overstated by \$393,973.
4. The Airport Improvement Program (CFDA #20.106) was overstated by \$132,778.
5. An unidentified program was overstated by \$9,021.

Audit adjustments were proposed, accepted by the City, and made to the SEFA.

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

Criteria

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:

- (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."

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

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-003 - DAVIS-BACON ACT AND EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Numbers and Years (or Other Identifying Numbers): AIP-13-18-0063-15, AIP-3-18-0063-16

Condition

Management of the City had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the following compliance requirements: Davis-Bacon Act and Equipment and Real Property Management.

Davis-Bacon Act

A consultant was hired to monitor compliance with the Davis-Bacon Act requirements of the grant. There was no documentation that the City reviewed or provided oversight of the consultant's work.

Equipment and Real Property Management

Physical inventories were completed by the City's department heads. There was no control in place to ensure physical inventories were properly completed.

Context

The lack of internal controls was a systematic problem affecting all grant awards listed above.

Criteria

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)

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed 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 have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-004 - CASH MANAGEMENT AND DAVIS-BACON ACT

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 Numbers and Years (or Other Identifying Numbers): DR2SC-011-002, ST-12-100

Pass-Through Entities: Indiana Housing and Community Development Authority,
Indiana Office of Community and Rural Affairs

Condition

Management of the City had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the following compliance requirements: Cash Management and Davis-Bacon Act.

Cash Management

The Deputy Clerk-Treasurer was responsible for compliance with Cash Management requirements, including ensuring that grant funds were expended within five days of the receipt of the grant draw. There was no control in place to ensure the unit complied with Cash Management requirements.

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

Davis-Bacon Act

A grant administrator was hired to monitor compliance with the Davis-Bacon Act requirements of the grant. There was no documentation that the City reviewed or provided oversight of the Grant Administrator's work.

Context

The lack of internal controls was a systematic problem, affecting all grant awards listed above.

Criteria

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. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed 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 have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

View of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

FINDING 2014-005 - SUBRECIPIENT MONITORING

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 Numbers and Years (or Other Identifying Numbers): DR2OR-012-003
Pass-Through Entity: Indiana Housing and Community Development Authority

Condition

Management of the City had not established an effective internal control system, which would have included segregation of duties related to the grant agreement and the Subrecipient Monitoring compliance requirement. The City did not conduct on-site reviews or receive sufficient information that would have ensured that the subrecipient was properly following the guidelines of the grant agreement or the compliance requirements.

Context

Reimbursement requests submitted by the subrecipient contained invoices that allowed the City to monitor costs incurred, but had no detailed information about the subrecipient's expenditures. There was no documentation or evidence to indicate that the City monitored adequately to determine if a subrecipient expended more than \$500,000 and was subject to a Federal audit.

Criteria

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. . . ."

24 CFR 85.40(a) states:

"*Monitoring by grantees.* Grantees are responsible for managing the day-to day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

24 CFR 570.501(b) states in part:

"The recipient is responsible for ensuring that CDBG funds are used in accordance with all program requirements. The use of designated public agencies, subrecipients, or contractors does not relieve the recipient of this responsibility. . . ."

OMB Circular A-133 .400(d) states in part:

". . . A pass through entity shall perform the following for the Federal awards it makes: . . . (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. . . ."

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

Cause

The City had not designed or implemented internal control procedures to ensure compliance with the Subrecipient Monitoring requirements of the program. The City did not have controls in place to ensure that on-site reviews of subrecipient activities or other monitoring was conducted as required.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the City.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish controls to ensure compliance with the Subrecipient Monitoring requirements of the program.

Views of Responsible Officials

For the views of the responsible officials, refer to the Corrective Action Plan that is part of this report.

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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
Mike Ochs, Mayor

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2013-003

Fiscal year in which the finding initially occurred: 2013
Federal Grantor Agency: Department of Transportation
Contact Person Responsible for Corrective Action: Shawn Gerkin/Ryan Curry
Contact Phone Number: (812) 346-5907

Status of Audit Finding:

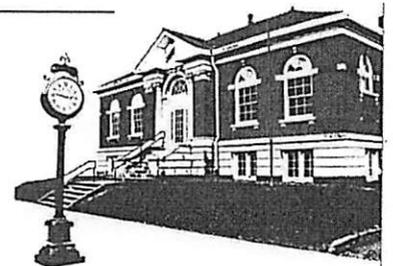
When the Airport bids a project the evaluation of those bids is conducted by our engineering firm. Part of that evaluation is making sure the contractor is not on the suspension or debarment list. The engineer checks this and reports back to the BOAC which also confirms their findings.

As for compliance with Davis-Bacon, the contractor is required to submit their certified payroll with the monthly progress estimates for payment. The engineer reviews and confirms that the appropriate wages are being paid before they recommend payment of the progress estimate. The BOAC also reviews and confirms before payment is issued.



CLERK - TREAS

09/01/16



Carnegie Government Center



CITY OF NORTH VERNON
Mike Ochs, Mayor

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2013-004

Fiscal year in which the finding initially occurred: 2013
Pass-Through Entity: Indiana Office of Community and Rural Affairs
Contact Person Responsible for Corrective Action: Raymond Shawn Gerkin
Contact Phone Number: (812) 346-5907

Status of Audit Finding:

Lack of internal control in cash management has been corrected by having two employees sign off on deposits and cash coming in and out.

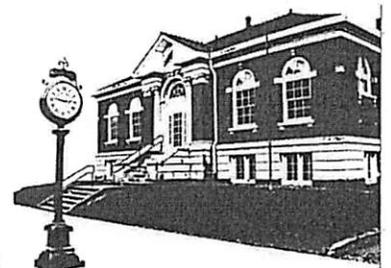
The City of North Vernon previously ensured Davis-Bacon wages were properly paid by having ARa (Administrative Resources Association) review payrolls. Those are now being reviewed by the clerk treasurer's office as well.

Procurement, Suspension, and Debarment duties previously reviewed by ARa will now be reviewed and documented by city officials as well.



J. CLERK TREAS

09/01/16



Carnegie Government Center



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

RITA L. ELMORE, ASST. CLERK-TREASURER

CORRECTIVE ACTION PLAN

RE: FINDING 2014-01

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

View of Responsible Official: We agree with the finding.

Corrective Action:

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

However, the utility office and the clerk treasurer's office will begin have two employees sign off on bank transfers and daily deposits while continuing to review the job duties of those in the office to develop and implement more effective strategies.

ANTICIPATED COMPLETION DATE: IMMEDIATELY

Sincerely,


R. Shawn Gerkin
Clerk-Treasurer, City of North Vernon
(812) 346-5907



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RITA L. ELMORE, ASST. CLERK-TREASURER

CORRECTIVE ACTION PLAN

RE: FINDING 2014-002 PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Views of Responsible Official: We agree with the finding.

Corrective Action Plan: The City has begun working more closely with our grant writers to review the Schedule of Expenditures of Federal Awards (SEFA). We will begin by having both parties review and sign off on a monthly transaction register and having both the clerk treasurer and deputy clerk treasurer review and sign off on reconciliation forms monthly.

ANTICIPATED COMPLETION DATE: IMMEDIATELY

Sincerely,

R. Shawn Gerkin
Clerk-Treasurer, City of North Vernon
(812) 346-5907



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CORRECTIVE ACTION PLAN

RE: FINDING 2014-003

DAVIS-BACON ACT AND EQUIPMENT AND REAL PROPERTY MANAGEMENT

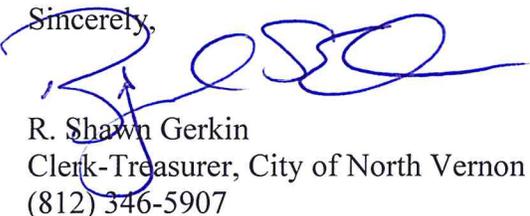
View of Responsible Official: We agree with the finding.

Corrective Action:

We will continue to use hired consultants to monitor compliance with the Davis-Bacon Act requirements of any grant. However, the City will now have a member of the clerk treasurer's office review the consultant's work on a regular basis. The City of North Vernon's small staff makes it impractical to have a perfect situation in regards to an ideal segregation of duties, but we will continue to strive to look for better ways to avoid potential noncompliance with grants.

ANTICIPATED COMPLETION DATE: IMMEDIATELY

Sincerely,



R. Shawn Gerkin
Clerk-Treasurer, City of North Vernon
(812) 346-5907



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RITA L. ELMORE, ASST. CLERK-TREASURER

CORRECTIVE ACTION PLAN

RE: FINDING 2014-004 CASH MANAGEMENT AND DAVIS-BACON ACT

View of Responsible Official: We agree with the finding.

Corrective Action:

We will continue to use hired consultants to monitor compliance with the Davis-Bacon Act and cash management requirements of any grant. However, we will now have the clerk-treasurer and deputy clerk-treasurer both review and document approval of the work completed by the grant administrator. The City of North Vernon's small staff makes it impractical to have a perfect situation in regards to an ideal segregation of duties, but we will continue to strive to look for better ways to avoid potential noncompliance with grants.

ANTICIPATED COMPLETION DATE: UPON REVIEW OF DUTIES AND CONTACT WITH GRANT ADMINISTRATORS.

Sincerely,

R. Shawn Gerkin
Clerk-Treasurer, City of North Vernon
(812) 346-5907



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RAYMOND SHAWN GERKIN, CLERK-TREASURER

RITA L. ELMORE, ASST. CLERK-TREASURER

CORRECTIVE ACTION PLAN

RE: FINDING 2014-005 SUBRECIPIENT MONITORING

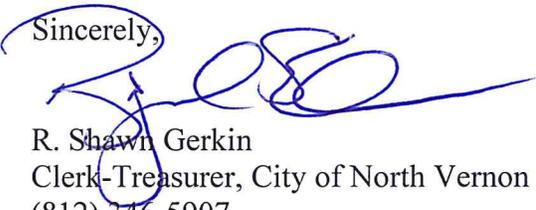
View of Responsible Official: We agree with the finding.

Corrective Action:

The City will attempt to have an employee of its own, including but not limited to the clerk treasurer, be more responsible for the day to day operations of grant activities by completing on site visits to ensure that the sub recipient is following the guidelines of grant agreements. However, the small staff of the clerk treasurer's office makes it impractical to have a perfect segregation of duties in regards to this finding.

ANTICIPATED COMPLETION DATE: IMMEDIATELY

Sincerely,



R. Shawn Gerkin
Clerk-Treasurer, City of North Vernon
(812) 346-5907

OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.