

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

EXAMINATION REPORT
OF
CITY OF NORTH VERNON
JENNINGS COUNTY, INDIANA
January 1, 2007 to December 31, 2007



FILED
12/30/2008

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---------------------------------------|------------------------------------|--|
| Clerk-Treasurer | Roger W. Short | 01-01-04 to 12-31-11 |
| Mayor | John G. Hall Harold N. Campbell | 01-01-04 to 12-31-07 01-01-08 to 12-31-11 |
| Chairman of the Utility Service Board | Jack Kelley | 01-01-07 to 12-31-08 |
| President of the Common Council | David Shaw | 01-01-07 to 12-31-08 |
| Superintendent of Water Utility | Dean Jones Mike Hess | 01-01-07 to 03-31-08 04-01-08 to 12-31-08 |
| Superintendent of Wastewater Utility | David McCorvie | 01-01-07 to 12-31-08 |
| Utility Office Manager | Deanna Salyers | 01-01-07 to 12-31-08 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of North Vernon (City), for the period of January 1, 2007 to December 31, 2007. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

October 28, 2008

CITY OF NORTH VERNON
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

| | Cash and Investments 01-01-07 | Receipts | Disbursements | Cash and Investments 12-31-07 |
|---|-------------------------------------|----------------------|----------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 766,021 | \$ 2,940,106 | \$ 2,948,028 | \$ 758,099 |
| Redevelopment Commission Number 1 | 2,626,468 | 1,980,860 | 2,413,596 | 2,193,732 |
| Redevelopment Commission Number 2 | 2,365,978 | 2,205,987 | 2,637,336 | 1,934,629 |
| Motor Vehicle Highway | 209,523 | 448,246 | 414,101 | 243,668 |
| Local Road and Street | 78,293 | 31,957 | 65,166 | 45,084 |
| County Economic Development Income Tax | 152,638 | 255,138 | 80,000 | 327,776 |
| Park and Recreation | 74,255 | 119,471 | 129,251 | 64,475 |
| Cemetery | 18,917 | 34,414 | 32,919 | 20,412 |
| Aviation | 62,637 | 103,361 | 113,369 | 52,629 |
| Railroad Non-Reverting | - | 12,362 | 12,362 | - |
| Riverboat | 75,081 | 41,082 | - | 116,163 |
| Aviation Grant #3-18-0063-07 | - | 119,001 | 116,760 | 2,241 |
| Aviation - Bishop Hangar | - | 98,550 | 95,453 | 3,097 |
| Fire Dept. Non-Reverting | 1,393 | 2,575 | 3,506 | 462 |
| Cumulative Capital Development | 86,797 | 87,345 | 38,167 | 135,975 |
| Debt Bond Service | 110,043 | 175,466 | 194,585 | 90,924 |
| Park Nonreverting Operating | 11,695 | 58,823 | 58,465 | 12,053 |
| Aviation Rotary | 21,541 | 208,683 | 200,908 | 29,316 |
| Alarm Fee Non-Reverting | - | 1,390 | 176 | 1,214 |
| Concession Fund | - | 62,567 | 47,162 | 15,405 |
| Workforce Grant | - | 89,885 | 12,200 | 77,685 |
| Impound Fee Non-Reverting | - | 920 | 95 | 825 |
| Aviation Grant #3-18-0063-08 | - | 96,783 | - | 96,783 |
| Aviation Grant #3-18-0063-05 | - | 2,233 | - | 2,233 |
| Aviation A.W.O.S | - | 77 | - | 77 |
| North Vernon Education & Training Center | 9,159 | 103,332 | 82,357 | 30,134 |
| Rainy Day Fund | 28,870 | - | 2,200 | 26,670 |
| Greensburg Street Phase I & II | 187,220 | - | 23,650 | 163,570 |
| Hayden Pike | 168,800 | 60,000 | - | 228,800 |
| Waste Disposal and Recycling Fee | 56,558 | 113,217 | 113,862 | 55,913 |
| North Vernon Community Development | 254,856 | 288,270 | 216,471 | 326,655 |
| Cumulative Capital Improvement | 61,417 | 22,883 | 15,000 | 69,300 |
| Donation Police | 3,666 | 1,000 | - | 4,666 |
| Hillcrest Cemetery | 7,000 | - | - | 7,000 |
| Downtown Revitalization Project | 23,000 | 214 | 30 | 23,184 |
| Law Enforcement Continuing Education | 11,526 | 33,958 | 27,244 | 18,240 |
| Police Drug Task Force | 23,197 | 17,603 | 22,548 | 18,252 |
| Law Enforcement Grant | 54,233 | - | 54,232 | 1 |
| Proprietary Funds: | | | | |
| Water Utility - Operating | 594,974 | 1,918,318 | 1,807,167 | 706,125 |
| Water Utility - Improvement | 180,000 | 180,000 | 191,850 | 168,150 |
| Water Utility - Debt Service Reserve | 522,355 | - | - | 522,355 |
| Water Utility - Bond and Interest | 200,599 | 332,544 | 322,240 | 210,903 |
| Water Utility - Bond and Interest '05 | 7,851 | 200,710 | 200,393 | 8,168 |
| Water Utility - Construction | 390,967 | 11,492 | 49,596 | 352,863 |
| Water Utility - Depreciation | 325,667 | 61,195 | 221 | 386,641 |
| Water Utility - Customer Deposit | 57,256 | 20,545 | 12,605 | 65,196 |
| Wastewater Utility - Operating | 557,328 | 1,495,045 | 1,379,145 | 673,228 |
| Wastewater Utility - Debt Service Reserve | 574,183 | - | - | 574,183 |
| Wastewater Utility - Bond and Interest | 270,151 | 564,976 | 242,793 | 592,334 |
| Wastewater Utility - Depreciation | 725,781 | 56,779 | 136,745 | 645,815 |
| Wastewater Utility - Improvement | 335,261 | 8,625 | - | 343,886 |
| Wastewater Utility - Construction | 953,803 | 37,773 | 87,834 | 903,742 |
| Fiduciary Funds: | | | | |
| Payroll | - | 2,481,104 | 2,481,104 | - |
| Street Cuts | 4,775 | 2,500 | 1,500 | 5,775 |
| North Vernon/Harmon Retainage | 42,667 | - | 42,667 | - |
| Police Pension Trust Fund | 80,201 | 88,654 | 90,689 | 78,166 |
| Totals | \$ 13,374,601 | \$ 17,278,019 | \$ 17,217,748 | \$ 13,434,872 |

The accompanying notes are an integral part of the financial information.

CITY OF NORTH VERNON
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety (police and fire), highways and streets, culture and recreation, sanitation, municipal airport, public improvements, planning and zoning, general administrative services, water, wastewater, urban redevelopment and economic development.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. 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% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes 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.

CITY OF NORTH VERNON
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

b. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy and Annual Pension Cost

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

CITY OF NORTH VERNON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

December 31, 2007

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

| <u>Primary Government</u> | <u>Ending Balance</u> |
|--|---------------------------|
| Governmental activities: | |
| Capital assets, not being depreciated: | |
| Land | \$ 2,994,384 |
| Infrastructure | 7,352,641 |
| Easements | 1,140,050 |
| Buildings | 6,360,343 |
| Improvements other than buildings | 7,954,974 |
| Machinery and equipment | <u>5,650,527</u> |
| Total governmental activities, capital assets not being depreciated | <u>\$ 31,452,919</u> |
| Business-type activities: | |
| Water Utility: | |
| Capital assets, not being depreciated: | |
| Land | \$ 14,300 |
| Buildings | 245,717 |
| Improvements other than buildings | 8,771,934 |
| Machinery and equipment | <u>195,806</u> |
| Total Water Utility capital assets | <u>9,227,757</u> |
| Wastewater Utility: | |
| Capital assets, not being depreciated: | |
| Land | 91,962 |
| Buildings | 325,000 |
| Improvements other than buildings | 19,962,142 |
| Machinery and equipment | <u>641,758</u> |
| Total Wastewater Utility capital assets | <u>21,020,862</u> |
| Total business-type activities capital assets | <u>\$ 30,248,619</u> |

CITY OF NORTH VERNON
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

The City of North Vernon has entered into the following debt:

| Description of Debt | Ending Principal Balance | Principal and Interest Due Within One Year |
|---|--------------------------------|---|
| Governmental Activities: | | |
| Capital leases: | | |
| Garbage packer | \$ 29,339 | \$ 30,246 |
| Fire rescue truck | 23,684 | 8,392 |
| Notes and loans payable | | |
| Airport terminal structure | 107,079 | 24,059 |
| Police computer equipment | 1,443 | 1,457 |
| Bonds payable: | | |
| General obligation bonds: | | |
| 2004 Fire truck | 247,500 | 89,647 |
| 2007 Police cars | 300,000 | 34,864 |
| Revenue bonds: | | |
| 2003 Redevelopment district tax increment | 4,710,000 | 330,587 |
| 2006 Redevelopment district tax increment | <u>1,845,000</u> | <u>252,596</u> |
| Total governmental activities long-term debt | <u>\$ 7,264,045</u> | <u>\$ 771,848</u> |
| Business-type Activities: | | |
| Water Utility | | |
| Revenue bonds: | | |
| 1998 Waterworks | \$ 2,490,000 | \$ 162,498 |
| 2005 Waterworks | <u>2,260,000</u> | <u>98,684</u> |
| Total Water Utility | <u>4,750,000</u> | <u>261,182</u> |
| Wastewater Utility | | |
| Revenue bonds: | | |
| 2006 Tax increment and sewage works revenue | 740,000 | 73,295 |
| 2006 Tax increment and sewage works refunding | <u>5,985,000</u> | <u>493,665</u> |
| Total Wastewater Utility | <u>6,725,000</u> | <u>566,960</u> |
| Total business-type activities long-term debt: | <u>\$ 11,475,000</u> | <u>\$ 828,142</u> |

CITY OF NORTH VERNON
EXAMINATION RESULTS AND COMMENTS

DELINQUENT WASTEWATER ACCOUNTS (Applies to Wastewater Utility)

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

(1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

(A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.

(B) A description of the premises, as shown by the records of the county auditor.

(C) The amount of the delinquent fees, together with the penalty.

(2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . .

(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

A similar comment was reported in the prior Report B29488 and Report B31373.

ACCOUNTS RECEIVABLE POLICIES (Applies to Water and Wastewater Utilities)

The Utilities do not have a written policy for writing off bad debts, uncollectible accounts receivable or for making adjustments to accounts receivable.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs. Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was reported in the prior Report B29488 and Report B31373.

CITY OF NORTH VERNON
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2008, with Harold N. Campbell, Mayor; Roger W. Short, Clerk-Treasurer; Jack Kelley, Chairman of the Utility Service Board; Deanna Salyers, Utility Office Manager; and Rita L. Elmore, Deputy Clerk-Treasurer. The officials concurred with our findings.