

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

EXAMINATION REPORT
OF
CITY OF MOUNT VERNON
POSEY COUNTY, INDIANA
January 1, 2008 to December 31, 2008



FILED
12/30/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cristi Wolfe	01-01-08 to 12-31-11
Mayor	John Tucker	01-01-08 to 12-31-11
President of the Board of Public Works	John Tucker	01-01-08 to 12-31-11
President of the Common Council	Bill Curtis	01-01-08 to 12-31-09
President of the Utility Service Board	Bill Curtis	01-01-08 to 12-31-09
Superintendent of Water Utility	Chuck Gray	01-01-08 to 12-31-09
Superintendent of Wastewater Utility Plant Operations Pre-Treatment	Rodney Givens Danny Moss Dennis Givens	01-01-08 to 12-31-09 01-01-08 to 12-31-09 01-01-08 to 12-31-09
Utility Bookkeeper	Wanda Bennett	01-01-08 to 12-31-09



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 ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Mount Vernon (City), for the period of January 1, 2008 to December 31, 2008. 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, 2008, 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

November 2, 2009

CITY OF MOUNT 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, 2008

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 212,805	\$ 3,850,438	\$ 3,277,096	\$ 786,147
Motor Vehicle Highway	126,854	993,927	962,073	158,708
Park and Recreation	35,375	725,587	670,433	90,529
Rainy Day	83,669	208,324	245,899	46,094
Local Road and Street	42,375	80,177	107,000	15,552
Law Enforcement Continuing Education	7,166	12,773	11,096	8,843
Park and Recreation Nonreverting	12,557	36,525	31,660	17,422
Donation	12,616	4,119	13,900	2,835
Emergency Warning System	9,794	9,706	9,700	9,800
Abandoned Vehicle	2,501	2,500	2,500	2,501
Motor Vehicle Highway II	69,298	84,480	149,618	4,160
Project Fun	2,681	3,500	5,702	479
State Gaming	37,947	61,910	61,826	38,031
Survival Life Trailer	32	-	-	32
BB Pool Lights	3,809	1,500	5,300	9
Downtown Planning	-	32,313	31,360	953
Crow Population	80	-	-	80
EDC Bond Fee	8,556	-	3,928	4,628
COIT	68,884	176,840	174,550	71,174
Cumulative Capital Improvement	13,912	24,319	22,184	16,047
Cumulative Capital Development	22,835	124,189	105,981	41,043
Proprietary Funds:				
Water Utility - Operating	299,353	4,187,818	4,235,367	251,804
Water Utility - Bond and Interest 1997	135,068	480,296	574,699	40,665
Water Utility - Debt Service Reserve	769,388	73,376	73,376	769,388
Water Utility - Customer Deposits	78,762	17,522	8,030	88,254
Water Utility - Construction Escrow	134,140	198,691	178,691	154,140
Water Utility - Improvement	235,365	60,000	121,338	174,027
Water Utility - State Revolving Loan 2001	112,955	170,698	257,156	26,497
Water Utility - BAN Bond and Interest	-	297,563	144,411	153,152
Water Utility - BAN Construction	-	6,386,187	4,562,256	1,823,931
Wastewater Utility - Operating	282,067	2,295,549	2,301,269	276,347
Wastewater Utility - Pre-Treatment	34,911	38,731	50,963	22,679
Wastewater Utility - Debt Service Reserve	316,676	21,611	-	338,287
Wastewater Utility - Sinking	346,491	372,568	375,592	343,467
Wastewater Utility - Customer Deposits	35,672	11,294	4,640	42,326
Wastewater Utility - Improvement	115,691	50,000	99,039	66,652
Wastewater Utility - BAN	1,282,826	-	470,777	812,049
Fiduciary Funds:				
Police Pension	111,062	178,412	201,205	88,269
Fire Pension	79,410	147,651	145,083	81,978
Payroll	24,821	3,026,490	3,033,008	18,303
Insurance	7,545	110,583	109,490	8,638
Totals	<u>\$ 5,175,949</u>	<u>\$ 24,558,167</u>	<u>\$ 22,838,196</u>	<u>\$ 6,895,920</u>

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

CITY OF MOUNT 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, public improvements, planning and zoning, general administrative services, water, wastewater and urban redevelopment.

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.

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 MOUNT VERNON
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

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.

Note 7. Subsequent Events

In 2009, the Wastewater Utility was awarded a total of \$3,535,000 in State Revolving Loan funds for improvements.

In 2009, the City obtained Tax Anticipation Warrants totaling \$1,637,332.

CITY OF MOUNT VERNON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2008

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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 338,651
Buildings	1,546,757
Improvements other than buildings	172,627
Machinery and equipment	3,169,543
Total governmental activities, capital assets not being depreciated	\$ 5,227,578
<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities	*

*The Water and Wastewater Utilities do not maintain capital asset records.

CITY OF MOUNT VERNON
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2008

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Fire truck	\$ 295,823	\$ 66,618
Police cars	36,925	19,816
Notes:		
Tax anticipation warrants	<u>1,325,977</u>	<u>1,348,991</u>
Total governmental activities debt	<u>\$ 1,658,725</u>	<u>\$ 1,435,425</u>
Business-type activities:		
Water Utility:		
Capital lease:		
Meter replacement and other improvement project	\$ 1,871,438	\$ 178,691
Revenue bonds:		
1997 revenue bonds	1,555,000	243,343
State revolving loan:		
2001 Water rehabilitation projects	2,959,949	131,800
Notes:		
2008 bond anticipation notes	<u>6,640,000</u>	<u>112,528</u>
Total Water Utility	<u>13,026,387</u>	<u>666,362</u>
Wastewater Utility:		
Capital lease:		
Camera truck	125,796	35,000
Revenue bonds:		
2001 refunding revenue bonds	550,000	188,483
State revolving loans:		
2001 Wastewater rehabilitation projects	1,497,118	111,425
2006 Wastewater rehabilitation projects	369,957	21,375
Notes:		
2007 bond anticipation notes	<u>1,400,000</u>	<u>1,433,488</u>
Total Wastewater Utility	<u>3,942,871</u>	<u>1,789,771</u>
Total business-type activities debt	<u>\$ 16,969,258</u>	<u>\$ 2,456,133</u>

CITY OF MOUNT VERNON
EXAMINATION RESULTS AND COMMENTS

DELINQUENT WASTEWATER ACCOUNTS (Applies to Wastewater Utility)

As stated in several prior reports, delinquent Wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

IC 36-9-23-33 states in part:

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

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
 - (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. . . ."

ACCOUNTS RECEIVABLE (Applies to Water and Wastewater Utilities)

As stated in several prior reports, officials have not established and adopted adequate written collection policies for addressing uncollectible Water and Wastewater accounts. Presently, accounts that are 90 days past due are assigned to a collection agency but not deleted from the active account status; however, this procedure has not been established by a written policy.

CITY OF MOUNT VERNON
EXAMINATION RESULTS AND COMMENTS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ACCOUNTABLE ITEMS (Applies to Water and Wastewater Utilities)

We noted a loss of approximately 38% percent in the amount of water pumped by the Water Utility as compared to water consumption billed to customers for the year 2008. Because the Wastewater charges are computed on water consumption, the Wastewater Utility is losing revenue as well.

Similar comments have appeared in several prior reports.

Goods for sale, billings, and other collections are considered accountable items. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS (Applies to Water and Wastewater Utilities)

As stated in several prior reports, information presented for audit indicates the Water and Wastewater Utilities do not maintain sufficient detailed records of capital assets for their Capital Asset accounts. Upon purchase, the costs of the capital assets are added to an aggregate Capital Asset account in the General Ledger. However, records providing historical costs for some of the Utilities' capital assets are not available, and records classifying and summarizing the Utilities' capital assets are incomplete. Deletions or disposals of capital assets are not recorded.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MOUNT VERNON
EXIT CONFERENCE

The contents of this report were discussed on November 2, 2009, with Cristi Wolfe, Clerk-Treasurer; and John Tucker, Mayor. The officials concurred with our findings.