

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, 2010 to December 31, 2010



FILED
09/12/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cristi L. Sitzman	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	01-01-10 to 12-31-11
President of the Common Council	Bill Curtis	01-01-10 to 12-31-11
President of the Utility Service Board	Bill Curtis	01-01-10 to 12-31-11
Superintendent of Water Utility	Chuck Gray	01-01-10 to 12-31-11
Superintendent of Wastewater Utility Plant	Rodney Givens	01-01-10 to 12-31-11
Operations	Danny Moss	01-01-10 to 12-31-11
Pre-Treatment	Dennis Givens	01-01-10 to 12-31-11
Utility Bookkeeper	Wanda Bennett	01-01-10 to 12-31-10
	Deann Blackburn	01-01-11 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statement of the City of Mount Vernon (City), for the period of January 1, 2010 to December 31, 2010. The City's management is responsible for the financial statement. 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 statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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

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, 2010, on the basis of accounting described in Note 1.

The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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 financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

The City's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, Common Council, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 1, 2011

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FINANCIAL STATEMENT

CITY OF MOUNT VERNON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 678,896	\$ 3,128,668	\$ 3,289,086	\$ 518,478
EDIT	-	625,233	188,543	436,690
Motor Vehicle Highway	119,146	981,071	855,249	244,968
Local Road And Street	12,512	27,258	15,375	24,395
Park Nonreverting Operating	6,711	62,613	31,238	38,086
Donations	4,039	5,637	3,365	6,311
Abandoned Vehicle	2,501	-	-	2,501
Law Enforcement Continuing Ed	9,029	7,913	8,471	8,471
Parks And Recreation	160,622	548,843	697,782	11,683
Rainy Day	155,495	163,409	19,523	299,381
Levy Excess	-	10,060	-	10,060
Economic Development Commission	14,628	-	3,081	11,547
State Gaming	66,365	59,997	89,458	36,904
EWSF	9,801	1	-	9,802
MVH II	12,873	86,412	85,108	14,177
Project Fun	364	350	480	234
Survival Life Trailer	32	-	32	-
BB Pool Lights	9	-	-	9
Downtown Plan	631	-	150	481
Crow Population	80	-	-	80
COIT	137,788	541,384	353,516	325,656
Insurance	9,765	126,459	127,143	9,081
Tax Incremental Financing	-	317,539	317,539	-
Cumulative Capital Development	25,821	76,477	66,618	35,680
Cumulative Capital Improvement	24,687	21,896	22,686	23,897
Police Pension	90,342	183,206	96,706	176,842
Fire Pension	160,946	174,890	108,366	227,470
Payroll	20,544	3,120,589	3,118,204	22,929
Wastewater Operating & Maintenance	305,410	1,111,902	959,391	457,921
Sewage Consumer Meter Deposit	48,353	11,325	14,278	45,400
Wastewater Cash Clearance	-	1,673,104	1,673,104	-
Wastewater Improvement	6,702	-	-	6,702
Wastewater Petty Cash	100	-	-	100
Wastewater Trash Transfer	-	280,997	280,997	-
Wastewater Pre Treatment	7,939	44,082	24,125	27,896
Wastewater Ban's Construction	-	-	-	-
Debt Svc-Bank Of New York	371,650	41,596	-	413,246
Sinking Fund-Bank Of New York	481,936	552,059	512,054	521,941
Wastewater State Revolving Loan	-	604,387	604,387	-
Water Operating & Maintenance	128,202	2,073,278	1,664,784	536,696
Water 1997 Bond & Interest	44,113	490,095	492,893	41,315
Water Consumer Meter Deposit	96,865	18,166	24,666	90,365
Water Revenue	-	2,905,205	2,905,205	-
Water Debt Service Reserve	755,988	13,400	-	769,388
Water Improvement	43,948	250,000	70,700	223,248
Water State Revolving Fund	24,764	263,834	266,511	22,087
Water Petty Cash	200	-	-	200
Water ONB Escrow	154,302	178,853	178,691	154,464
Water Ban's Bond And Interest	29,970	217,951	228,182	19,739
Water Ban's Construction	306,329	36,600	75,373	267,556
	<u>\$ 4,530,398</u>	<u>\$ 21,036,739</u>	<u>\$ 19,473,060</u>	<u>\$ 6,094,077</u>

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

CITY OF MOUNT VERNON
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City (primary government), and does not include financial information for any of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the City (primary government.)

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes, which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax county adjusted gross income tax, and other taxes that are set by the City.

Special assessments which includes amounts levied against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

CITY OF MOUNT VERNON
NOTES TO FINANCIAL STATEMENT
(Continued)

License and permits which includes 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 license and permits include: peddler licenses; dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits; and gun permits.

Intergovernmental receipts which includes receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts includes, but is not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records; copy machine charges; accident report copies, gun permit applications, 911 telephone services; recycling fees, dog pound fees; emergency medical service fees, park rental fees; swimming pool receipts; cable tv receipts; ordinance violations; fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which includes 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 help as performance guarantees (forfeitures).

Net proceeds from borrowings which includes receipts from general obligation bonds, notes and loans.

Intergovernmental loan activity which includes amounts received from other funds as loans on a temporary basis.

Transfers in which includes funds authorized by statute, ordinance, resolution or court order to be transferred in from another fund.

Utility receipts which are comprised mostly of charges for current services.

Internal service receipts which are comprised mostly of fees received for services performed for other funds.

Fiduciary receipts which are comprised mostly of contributions to the pensions funds from state and local sources.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

CITY OF MOUNT VERNON
NOTES TO FINANCIAL STATEMENT
(Continued)

Personal services which includes 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 includes 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 includes, but is not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance; and rental charges.

Debt service principle 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, machinery and equipment having an appreciable and calculable period of usefulness.

Interfund loan payments and loans made which includes amounts that are owed to a particular fund by another fund.

Transfers out which includes funds authorized by statute, ordinance, resolution or court order to be transferred to another fund.

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

CITY OF MOUNT VERNON
NOTES TO FINANCIAL STATEMENT
(Continued)

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% 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.

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 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.

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 statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement and replacement items purchased.

CITY OF MOUNT VERNON
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the 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 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 Public Employees' Retirement Fund as provided under IC 5-10.3-11.

CITY OF MOUNT VERNON
NOTES TO FINANCIAL STATEMENT
(Continued)

C. 1937 Firefighters' Pension Plan

Plan Description

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11.

D. 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 Employees' Retirement Plan (PERF) 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.

PERF 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

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

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Reports can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	EDIT	Motor Vehicle Highway	Local Road And Street	Park Nonreverting Operating	Donations	Abandoned Vehicle
Cash and investments - beginning	\$ 678,896	\$ -	\$ 119,146	\$ 12,512	\$ 6,711	\$ 4,039	\$ 2,501
Receipts:							
Taxes	2,366,441	-	502,948	-	-	-	-
Licenses and permits	4,692	-	250	-	-	-	-
Intergovernmental	349,871	49,000	310,566	27,258	-	-	-
Charges for services	401,724	576,233	7,900	-	29,875	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other receipts	5,940	-	159,407	-	32,738	5,637	-
Total receipts	<u>3,128,668</u>	<u>625,233</u>	<u>981,071</u>	<u>27,258</u>	<u>62,613</u>	<u>5,637</u>	<u>-</u>
Disbursements:							
Personal services	1,828,095	-	315,814	-	8,185	-	-
Supplies	166,698	106,575	93,681	-	13,299	-	-
Other services and charges	616,549	81,968	340,001	15,375	2,849	-	-
Capital outlay	69,243	-	26,666	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	608,501	-	79,087	-	6,905	3,365	-
Total disbursements	<u>3,289,086</u>	<u>188,543</u>	<u>855,249</u>	<u>15,375</u>	<u>31,238</u>	<u>3,365</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(160,418)</u>	<u>436,690</u>	<u>125,822</u>	<u>11,883</u>	<u>31,375</u>	<u>2,272</u>	<u>-</u>
Cash and investments - ending	<u>\$ 518,478</u>	<u>\$ 436,690</u>	<u>\$ 244,968</u>	<u>\$ 24,395</u>	<u>\$ 38,086</u>	<u>\$ 6,311</u>	<u>\$ 2,501</u>

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Law Enforcement Continuing Ed	Parks And Recreation	Rainy Day	Levy Excess	Economic Development Commission	State Gaming	EWSF
Cash and investments - beginning	\$ 9,029	\$ 160,622	\$ 155,495	\$ -	\$ 14,628	\$ 66,365	\$ 9,801
Receipts:							
Taxes	-	435,183	-	10,060	-	-	-
Licenses and permits	2,600	-	-	-	-	-	-
Intergovernmental	-	25,733	-	-	-	59,997	-
Charges for services	867	67,723	-	-	-	-	-
Fines and forfeits	669	-	39,039	-	-	-	-
Other receipts	3,777	20,204	124,370	-	-	-	1
Total receipts	7,913	548,843	163,409	10,060	-	59,997	1
Disbursements:							
Personal services	-	367,316	-	-	-	-	-
Supplies	8,127	47,572	-	-	-	-	-
Other services and charges	344	135,766	19,523	-	-	79,458	-
Capital outlay	-	10,636	-	-	-	10,000	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	136,492	-	-	3,081	-	-
Total disbursements	8,471	697,782	19,523	-	3,081	89,458	-
Excess (deficiency) of receipts over disbursements	(558)	(148,939)	143,886	10,060	(3,081)	(29,461)	1
Cash and investments - ending	\$ 8,471	\$ 11,683	\$ 299,381	\$ 10,060	\$ 11,547	\$ 36,904	\$ 9,802

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	MVH II	Project Fun	Survival Life Trailer	BB Pool Lghts	Downtown Plan	Crow Population	COIT
Cash and investments - beginning	\$ 12,873	\$ 364	\$ 32	\$ 9	\$ 631	\$ 80	\$ 137,788
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	11,412	-	-	-	-	-	541,380
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other receipts	75,000	350	-	-	-	-	4
Total receipts	<u>86,412</u>	<u>350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>541,384</u>
Disbursements:							
Personal services	-	-	-	-	-	-	198,209
Supplies	1,654	-	-	-	-	-	-
Other services and charges	83,454	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	480	32	-	150	-	155,307
Total disbursements	<u>85,108</u>	<u>480</u>	<u>32</u>	<u>-</u>	<u>150</u>	<u>-</u>	<u>353,516</u>
Excess (deficiency) of receipts over disbursements	<u>1,304</u>	<u>(130)</u>	<u>(32)</u>	<u>-</u>	<u>(150)</u>	<u>-</u>	<u>187,868</u>
Cash and investments - ending	<u>\$ 14,177</u>	<u>\$ 234</u>	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ 481</u>	<u>\$ 80</u>	<u>\$ 325,656</u>

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Insurance	Tax Incremental Financing	Cumulative Capital Development	Cumulative Capital Improvement	Police Pension	Fire Pension
Cash and investments - beginning	\$ 9,765	\$ -	\$ 25,821	\$ 24,687	\$ 90,342	\$ 160,946
Receipts:						
Taxes	-	-	66,924	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	9,354	21,896	183,206	174,890
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other receipts	126,459	317,539	199	-	-	-
Total receipts	126,459	317,539	76,477	21,896	183,206	174,890
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	96,706	108,366
Capital outlay	-	-	66,618	2,686	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	127,143	317,539	-	20,000	-	-
Total disbursements	127,143	317,539	66,618	22,686	96,706	108,366
Excess (deficiency) of receipts over disbursements	(684)	-	9,859	(790)	86,500	66,524
Cash and investments - ending	\$ 9,081	\$ -	\$ 35,680	\$ 23,897	\$ 176,842	\$ 227,470

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Payroll	Wastewater Operating & Maintenance	Sewage Consumer Meter Deposit	Wastewater Cash Clearance	Wastewater Improvement	Wastewater Petty Cash
Cash and investments - beginning	\$ 20,544	\$ 305,410	\$ 48,353	\$ -	\$ 6,702	\$ 100
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other receipts	<u>3,120,589</u>	<u>1,111,902</u>	<u>11,325</u>	<u>1,673,104</u>	<u>-</u>	<u>-</u>
Total receipts	<u>3,120,589</u>	<u>1,111,902</u>	<u>11,325</u>	<u>1,673,104</u>	<u>-</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>3,118,204</u>	<u>959,391</u>	<u>14,278</u>	<u>1,673,104</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>3,118,204</u>	<u>959,391</u>	<u>14,278</u>	<u>1,673,104</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>2,385</u>	<u>152,511</u>	<u>(2,953)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 22,929</u>	<u>\$ 457,921</u>	<u>\$ 45,400</u>	<u>\$ -</u>	<u>\$ 6,702</u>	<u>\$ 100</u>

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Wastewater Trash Transfer	Wastewater Pre Treatment	Wastewater Ban's Construction	Debt Svc-Bank Of New York	Sinking Fund-Bank Of New York	Wastewater State Revolving Loan
Cash and investments - beginning	\$ -	\$ 7,939	\$ -	\$ 371,650	\$ 481,936	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other receipts	<u>280,997</u>	<u>44,082</u>	<u>-</u>	<u>41,596</u>	<u>552,059</u>	<u>604,387</u>
Total receipts	<u>280,997</u>	<u>44,082</u>	<u>-</u>	<u>41,596</u>	<u>552,059</u>	<u>604,387</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>280,997</u>	<u>24,125</u>	<u>-</u>	<u>-</u>	<u>512,054</u>	<u>604,387</u>
Total disbursements	<u>280,997</u>	<u>24,125</u>	<u>-</u>	<u>-</u>	<u>512,054</u>	<u>604,387</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>19,957</u>	<u>-</u>	<u>41,596</u>	<u>40,005</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 27,896</u>	<u>\$ -</u>	<u>\$ 413,246</u>	<u>\$ 521,941</u>	<u>\$ -</u>

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Water Operating & Maintenance	Water 1997 Bond & Interest	Water Consumer Meter Deposit	Water Revenue	Water Debt Service Reserve	Water Improvement
Cash and investments - beginning	\$ 128,202	\$ 44,113	\$ 96,865	\$ -	\$ 755,988	\$ 43,948
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other receipts	<u>2,073,278</u>	<u>490,095</u>	<u>18,166</u>	<u>2,905,205</u>	<u>13,400</u>	<u>250,000</u>
Total receipts	<u>2,073,278</u>	<u>490,095</u>	<u>18,166</u>	<u>2,905,205</u>	<u>13,400</u>	<u>250,000</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	24,666	-	-	-
Other disbursements	<u>1,664,784</u>	<u>492,893</u>	<u>-</u>	<u>2,905,205</u>	<u>-</u>	<u>70,700</u>
Total disbursements	<u>1,664,784</u>	<u>492,893</u>	<u>24,666</u>	<u>2,905,205</u>	<u>-</u>	<u>70,700</u>
Excess (deficiency) of receipts over disbursements	<u>408,494</u>	<u>(2,798)</u>	<u>(6,500)</u>	<u>-</u>	<u>13,400</u>	<u>179,300</u>
Cash and investments - ending	<u>\$ 536,696</u>	<u>\$ 41,315</u>	<u>\$ 90,365</u>	<u>\$ -</u>	<u>\$ 769,388</u>	<u>\$ 223,248</u>

CITY OF MOUNT VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Water State Revolving Fund	Water Petty Cash	Water ONB Escrow	Water Ban's Bond And Interest	Water Ban's Construction	Totals
Cash and investments - beginning	\$ 24,764	\$ 200	\$ 154,302	\$ 29,970	\$ 306,329	\$ 4,530,398
Receipts:						
Taxes	-	-	-	-	-	3,381,556
Licenses and permits	-	-	-	-	-	7,542
Intergovernmental	-	-	-	-	-	1,764,563
Charges for services	-	-	-	-	-	1,084,322
Fines and forfeits	-	-	-	-	-	39,708
Other receipts	<u>263,834</u>	<u>-</u>	<u>178,853</u>	<u>217,951</u>	<u>36,600</u>	<u>14,759,048</u>
Total receipts	<u>263,834</u>	<u>-</u>	<u>178,853</u>	<u>217,951</u>	<u>36,600</u>	<u>21,036,739</u>
Disbursements:						
Personal services	-	-	-	-	-	2,717,619
Supplies	-	-	-	-	-	437,606
Other services and charges	-	-	-	-	-	1,580,359
Capital outlay	-	-	-	-	75,373	261,222
Utility operating expenses	-	-	-	-	-	24,666
Other disbursements	<u>266,511</u>	<u>-</u>	<u>178,691</u>	<u>228,182</u>	<u>-</u>	<u>14,451,588</u>
Total disbursements	<u>266,511</u>	<u>-</u>	<u>178,691</u>	<u>228,182</u>	<u>75,373</u>	<u>19,473,060</u>
Excess (deficiency) of receipts over disbursements	<u>(2,677)</u>	<u>-</u>	<u>162</u>	<u>(10,231)</u>	<u>(38,773)</u>	<u>1,563,679</u>
Cash and investments - ending	<u>\$ 22,087</u>	<u>\$ 200</u>	<u>\$ 154,464</u>	<u>\$ 19,739</u>	<u>\$ 267,556</u>	<u>\$ 6,094,077</u>

CITY OF MOUNT VERNON
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2010

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	\$ 184,555	\$ 66,618
Dump truck	59,782	21,641
Lighting loader	<u>88,306</u>	<u>24,507</u>
Total governmental activities debt	<u>\$ 332,643</u>	<u>\$ 112,766</u>
Business-type Activities:		
Water Utility		
Capital leases:		
Meter replacement and other improvements projects	\$ 1,664,449	\$ 178,691
Revenue bonds:		
1997 revenue bonds	695,000	242,319
State revolving loan payable:		
2001 water rehabilitation projects	2,629,949	131,024
Notes payable:		
2008 bond anticipation notes payable	<u>6,640,000</u>	<u>6,640,000</u>
Total Water Utility	<u>11,629,398</u>	<u>7,192,034</u>
Wastewater Utility		
Capital leases:		
Camera truck	64,480	35,000
Revenue bonds:		
2001 refunding revenue bonds	190,000	194,750
State revolving loan:		
2001 wastewater rehabilitation projects	1,322,118	136,725
2006 wastewater rehabilitation projects	339,957	26,559
2009 wastewater rehabilitation projects	<u>2,290,599</u>	<u>173,426</u>
Total Wastewater Utility	<u>4,207,154</u>	<u>566,460</u>
Total business-type activities debt	<u>\$ 15,836,552</u>	<u>\$ 7,758,494</u>

CITY OF MOUNT VERNON
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

The Annual Report for 2010 was published timely but was incomplete. The receipts and disbursements of the Wastewater State Revolving Loan fund were not included in the report.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

DELINQUENT WASTEWATER ACCOUNTS (Wastewater Utility)

As stated in several prior reports, delinquent wastewater fees and penalties have 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. . . ."

ACCOUNTABLE ITEMS (Water and Wastewater Utilities)

We noted a loss of approximately 34 percent of the amount of water pumped by the Water Utility as compared to water consumption billed to customers for the year 2010. Because the Wastewater charges are computed on water consumption, the Wastewater Utility is losing revenue as well. A similar comment was included in several prior reports.

CITY OF MOUNT VERNON
EXAMINATION RESULTS AND COMMENTS
(Continued)

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

ACCOUNTS RECEIVABLE (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 ninety 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.

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)

CITY OF MOUNT VERNON
EXIT CONFERENCE

The contents of this report were discussed on August 1, 2011, with Cristi L. Sitzman, Clerk-Treasurer; John Tucker, Mayor; and Stephen Fuelling, Councilman. The official response has been made a part of this report and may be found on page 26.

CRISTI L. SITZMAN
CLERK-TREASURER
CITY OF MOUNT VERNON
520 MAIN ST - CITY HALL ANNEX
MOUNT VERNON, IN 47620
812-838-3317; 812-838-8701 (F)

August 1, 2011

State Board of Accounts
E418 Government Center South
Indianapolis, IN 46204-2765

RE: 2010 Audit Response

To Whom it May Concern,

Please accept this letter as an official response to a written comment in the City of Mount Vernon's 2010 Annual Audit.

It was brought to my attention during the audit process that a fund was inadvertently omitted from the Annual Report. The fund in question is a Waste Water Fund and as such, I did not have access to the information, had no idea it existed, and as I prepared the Annual Report, it was omitted for that reason.

Corrective actions have since been taken on the City's part.

Sincerely,

Cristi L. Sitzman
Clerk-Treasurer