

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, 2011 to December 31, 2011



FILED
09/12/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Roger W. Short R. Shawn Gerkin	01-01-08 to 12-31-11 01-01-12 to 12-31-15
Mayor	Harold N. Campbell	01-01-08 to 12-31-15
President of the Common Council	David Shaw	01-01-11 to 12-31-12
Chairman of the Utilities Service Board	Michael Marshall Karen Snyder	01-01-11 to 02-23-11 02-24-11 to 12-31-12
Superintendent of Water Utility	Mike Hess	01-01-11 to 12-31-12
Superintendent of Wastewater Utility	Russell Vaught	01-01-11 to 12-31-12
Superintendent of Storm Water Utility	Russell Vaught	01-01-11 to 12-31-12
Utility Office Manager	Deanna Salyers	01-01-11 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the City of North Vernon (City), for the year ended December 31, 2011. This financial statement is the responsibility of the City's management. 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 includes consideration of internal control over financial reporting as a basis for designing 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 over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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.

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, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated August 27, 2012, 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 and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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 has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

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 Leases and Debt, and Schedule of Capital Assets 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.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, federal awarding agencies, and pass-through entities 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 27, 2012



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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 the financial statement of the City of North Vernon (City), for the year ended December 31, 2011, and have issued our report thereon dated August 27, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been 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 item 2011-1 to be material weaknesses.

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 are 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City's response to the finding identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit 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, others within the entity, federal awarding agencies, and pass-through entities 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 27, 2012

FINANCIAL STATEMENT

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, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 966,834	\$ 3,613,218	\$ 3,129,277	\$ 1,450,775
Motor Vehicle	155,160	386,155	395,378	145,937
Local Road and Street	45,158	28,834	8,908	65,084
Riverboat Tax Revenue	197,804	81,542	-	279,346
Recreation	52,864	138,039	140,431	50,472
Rainy Day	36,547	-	-	36,547
Levy Excess	5,878	-	5,878	-
Cumulative Capital Development	251,868	71,460	125,000	198,328
County Economic Development Income Tax	122,710	215,702	165,059	173,353
Police Pension	167,695	116,865	80,538	204,022
Windstream Technology	-	2,401,511	2,400,875	636
Exergistics	-	2,000,000	13,671	1,986,329
D/J Equitable Sharing Program	-	1	-	1
Cemetery	26,875	37,448	35,310	29,013
Police Donation	4,429	159	412	4,176
Recreation Railroad Days Nonreverting	-	99	-	99
Street Cut	5,000	500	1,000	4,500
Fire Department Nonreverting	1,517	1,875	-	3,392
Recreation Nonreverting	6,624	83,895	77,965	12,554
Alarm Fee Nonreverting	4,529	4,620	443	8,706
Concession	3,962	49,177	53,021	118
Impound Fee Nonreverting	10,109	2,800	-	12,909
Dave O'Mara Retainage	33,087	6,815	39,902	-
Housing Grant #HD-008-010	(38)	76	38	-
Education and Training Center	134,649	122,890	143,237	114,302
North Vernon Redevelopment	3,934,757	2,388,330	4,142,529	2,180,558
Waste Disposal and Recycling	67,692	112,253	115,453	64,492
North Vernon Community Development	275,924	8,000	223,250	60,674
North Vernon Police Education	26,437	10,516	5,080	31,873
Police Drug Task Force	13,075	7,150	12,871	7,354
Police Grants	4,366	1,642	4,620	1,388
North Vernon Carnegie Building	2,306	6,000	3,952	4,354
Contingency Operating Base Nonreverting	48,251	166,015	190,071	24,195
Housing Grant #DR10R-009-016	2	105,645	105,616	31
Stellar Grant #SCP-010-006	-	428,488	375,395	53,093
Debt Bond Service	22,031	74,338	69,729	26,640
Cumulative Capital Improvement	84,540	18,710	15,000	88,250
Greensburg Street Phase I and II	379,720	60,000	12,708	427,012
Hayden Pike	108,766	235,226	187,298	156,694
Cemetery Perpetual Care	7,000	-	-	7,000
Payroll	-	2,643,067	2,643,067	-

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

CITY OF NORTH VERNON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
2006 Bond Principal and Interest	-	511,580	255,762	255,818
2006 Reserve Account	200,000	22	21	200,001
2003 Tax Increment	487,156	1,465,582	1,464,111	488,627
2003 Bond Principal and Interest	1	462,495	231,248	231,248
2003 Reserve Account	500,001	59	59	500,001
2003 General Account	106,314	13	12	106,315
Aviation AIP #3-18-0063-14	-	266,176	-	266,176
Aviation Dave O'Mara Retainage	10,912	-	-	10,912
Aviation	89,480	126,897	155,563	60,814
Aviation Rotary	33,695	301,049	297,764	36,980
Aviation AIP #3-18-0063-07	5,980	-	5,980	-
Aviation Bishop Hangar	3,138	30,750	30,776	3,112
Aviation NVIC Hangar	3,900	-	3,900	-
Aviation AIP #3-18-0063-10	461	4,442	461	4,442
Aviation AIP #3-18-0063-11	5,962	69,593	37,250	38,305
Aviation AIP #3-18-0063-12	1,839	62,748	63,734	853
Aviation AIP #3-18-0063-13	38,305	250,509	276,387	12,427
Stormwater Utility	440,802	716,537	728,928	428,411
Sewage Headworks	-	423,837	392,855	30,982
Sewage Utility	792,939	1,798,302	1,418,927	1,172,314
Sewage Utility Depreciation	230,714	261,685	157,406	334,993
Sewage Construction	168,545	35,657	41,587	162,615
Debt Service Reserve Account	574,183	-	-	574,183
Sewage Utility Bond and Interest	683,998	247,643	240,036	691,605
Sewage Utility Capacity Fund	121,803	36,840	37,020	121,623
Energy Grant	98,514	94,478	192,992	-
Water Line Construction	-	390,036	371,160	18,876
Water Operating	1,212,906	2,233,623	1,800,382	1,646,147
Waterworks Capital Improvement	137,335	120,000	57,090	200,245
Waterworks Depreciation	508,592	49,531	3,587	554,536
Waterworks Meter Deposit	106,301	35,734	25,805	116,230
Waterworks Revenue Bond 2005	74,832	135,556	200,124	10,264
Hayden Pike Water	208,005	427,361	437,441	197,925
Water Clarifier Project	60,436	276,582	276,844	60,174
Water Utility Bond and Interest 2010	-	34,678	34,678	-
Water Debt Reserve 2010	-	9,600	9,600	-
Waterworks Refunding Bond 2010	79,085	217,174	296,238	21
Sunesis Construction Retainage	67,825	1,494	54,919	14,400
Totals	\$ 14,262,087	\$ 26,727,324	\$ 24,523,629	\$ 16,465,782

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 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 statement. The aggregate receipts include the following sources:

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

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENT
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

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

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

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

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENT
(Continued)

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement any replacement items purchased.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENT
(Continued)

B. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

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

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

Funding Policy

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

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 7. Reclassifications

For the year ended December 31, 2010, certain changes have been made to the financial statement to more appropriately reflect the activity of the City. The following schedule presents a summary of reclassified beginning balances by fund. The fund reclassifications represent the separation of funds held by The Bank of New York Mellon Trust that had previously been reported as one combined fund.

Opinion Unit	Balance as Reported December 31, 2010	Prior Period Adjustments	Fund Reclassifications	Balance as Restated January 1, 2011
Redvelopment Commission Number 2	\$ 1,293,472	\$ -	\$ (1,293,472)	\$ -
2006 Bond Principal and Interest	-	-	-	-
2006 Reserve Account	-	-	200,000	200,000
2003 Tax Increment	-	-	487,156	487,156
2003 Bond Principal and Interest	-	-	1	1
2003 Reserve Account	-	-	500,001	500,001
2003 General Account	-	-	106,314	106,314

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General	Motor Vehicle	Local Road and Street	Riverboat Tax Revenue	Recreation	Rainy Day	Levy Excess
Cash and investments - beginning	\$ 966,834	\$ 155,160	\$ 45,158	\$ 197,804	\$ 52,864	\$ 36,547	\$ 5,878
Receipts:							
Taxes	1,873,216	196,886	-	-	122,721	-	-
Licenses and permits	50	-	-	-	-	-	-
Intergovernmental	1,599,150	184,052	27,974	81,542	8,179	-	-
Charges for services	32,558	-	-	-	1,552	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	108,244	5,217	860	-	5,587	-	-
Total receipts	<u>3,613,218</u>	<u>386,155</u>	<u>28,834</u>	<u>81,542</u>	<u>138,039</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	1,619,609	323,756	-	-	101,182	-	-
Supplies	640,409	66,606	-	-	3,768	-	5,878
Other services and charges	823,501	2,845	-	-	35,481	-	-
Capital outlay	45,758	2,171	8,908	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>3,129,277</u>	<u>395,378</u>	<u>8,908</u>	<u>-</u>	<u>140,431</u>	<u>-</u>	<u>5,878</u>
Excess (deficiency) of receipts over disbursements	<u>483,941</u>	<u>(9,223)</u>	<u>19,926</u>	<u>81,542</u>	<u>(2,392)</u>	<u>-</u>	<u>(5,878)</u>
Cash and investments - ending	<u>\$ 1,450,775</u>	<u>\$ 145,937</u>	<u>\$ 65,084</u>	<u>\$ 279,346</u>	<u>\$ 50,472</u>	<u>\$ 36,547</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, 2011
 (Continued)

	Cumulative Capital Development	County Economic Development Income Tax	Police Pension	Windstream Technology	Exergistics	D/J Equitable Sharing Program	Cemetery
Cash and investments - beginning	\$ 251,868	\$ 122,710	\$ 167,695	\$ -	\$ -	\$ -	\$ 26,875
Receipts:							
Taxes	66,995	-	114,544	2,400,000	2,000,000	-	33,395
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	4,465	215,702	2,321	-	-	-	2,226
Charges for services	-	-	-	-	-	-	1,750
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	1,511	-	1	77
Total receipts	<u>71,460</u>	<u>215,702</u>	<u>116,865</u>	<u>2,401,511</u>	<u>2,000,000</u>	<u>1</u>	<u>37,448</u>
Disbursements:							
Personal services	-	-	80,538	-	-	-	27,033
Supplies	-	4,170	-	2,400,875	-	-	3,396
Other services and charges	-	-	-	-	-	-	2,232
Capital outlay	125,000	160,889	-	-	13,671	-	2,649
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>125,000</u>	<u>165,059</u>	<u>80,538</u>	<u>2,400,875</u>	<u>13,671</u>	<u>-</u>	<u>35,310</u>
Excess (deficiency) of receipts over disbursements	<u>(53,540)</u>	<u>50,643</u>	<u>36,327</u>	<u>636</u>	<u>1,986,329</u>	<u>1</u>	<u>2,138</u>
Cash and investments - ending	<u>\$ 198,328</u>	<u>\$ 173,353</u>	<u>\$ 204,022</u>	<u>\$ 636</u>	<u>\$ 1,986,329</u>	<u>\$ 1</u>	<u>\$ 29,013</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Police Donation	Recreation Railroad Days Nonreverting	Street Cut	Fire Department Nonreverting	Recreation Nonreverting	Alarm Fee Nonreverting
Cash and investments - beginning	\$ 4,429	\$ -	\$ 5,000	\$ 1,517	\$ 6,624	\$ 4,529
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	500	-	83,340	4,620
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	159	99	-	1,875	555	-
Total receipts	<u>159</u>	<u>99</u>	<u>500</u>	<u>1,875</u>	<u>83,895</u>	<u>4,620</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	412	-	-	-	77,965	443
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	1,000	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>412</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>77,965</u>	<u>443</u>
Excess (deficiency) of receipts over disbursements	<u>(253)</u>	<u>99</u>	<u>(500)</u>	<u>1,875</u>	<u>5,930</u>	<u>4,177</u>
Cash and investments - ending	<u>\$ 4,176</u>	<u>\$ 99</u>	<u>\$ 4,500</u>	<u>\$ 3,392</u>	<u>\$ 12,554</u>	<u>\$ 8,706</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Concession	Impound Fee Nonreverting	Dave O'Mara Retainage	Housing Grant #HD-008-010	Education and Training Center	North Vernon Redevelopment
Cash and investments - beginning	\$ 3,962	\$ 10,109	\$ 33,087	\$ (38)	\$ 134,649	\$ 3,934,757
Receipts:						
Taxes	-	-	-	-	-	2,105,589
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	2,800	-	-	-	205,475
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	49,177	-	6,815	76	122,890	77,266
Total receipts	<u>49,177</u>	<u>2,800</u>	<u>6,815</u>	<u>76</u>	<u>122,890</u>	<u>2,388,330</u>
Disbursements:						
Personal services	19,023	-	-	-	-	-
Supplies	33,998	-	39,902	-	-	61,711
Other services and charges	-	-	-	-	143,237	1,465,531
Capital outlay	-	-	-	38	-	2,615,287
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>53,021</u>	<u>-</u>	<u>39,902</u>	<u>38</u>	<u>143,237</u>	<u>4,142,529</u>
Excess (deficiency) of receipts over disbursements	<u>(3,844)</u>	<u>2,800</u>	<u>(33,087)</u>	<u>38</u>	<u>(20,347)</u>	<u>(1,754,199)</u>
Cash and investments - ending	<u>\$ 118</u>	<u>\$ 12,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,302</u>	<u>\$ 2,180,558</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Waste Disposal and Recycling	North Vernon Community Development	North Vernon Police Education	Police Drug Task Force	Police Grants	North Vernon Carnegie Building
Cash and investments - beginning	\$ 67,692	\$ 275,924	\$ 26,437	\$ 13,075	\$ 4,366	\$ 2,306
Receipts:						
Taxes	-	-	-	7,000	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	112,215	-	-	-	-	6,000
Fines and forfeits	-	-	8,740	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	38	8,000	1,776	150	1,642	-
Total receipts	<u>112,253</u>	<u>8,000</u>	<u>10,516</u>	<u>7,150</u>	<u>1,642</u>	<u>6,000</u>
Disbursements:						
Personal services	-	55,790	-	2,335	-	-
Supplies	114,339	3,075	2,476	10,536	-	-
Other services and charges	1,114	8,000	1,629	-	4,620	3,952
Capital outlay	-	156,385	975	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>115,453</u>	<u>223,250</u>	<u>5,080</u>	<u>12,871</u>	<u>4,620</u>	<u>3,952</u>
Excess (deficiency) of receipts over disbursements	<u>(3,200)</u>	<u>(215,250)</u>	<u>5,436</u>	<u>(5,721)</u>	<u>(2,978)</u>	<u>2,048</u>
Cash and investments - ending	<u>\$ 64,492</u>	<u>\$ 60,674</u>	<u>\$ 31,873</u>	<u>\$ 7,354</u>	<u>\$ 1,388</u>	<u>\$ 4,354</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Contingency Operating Base Nonreverting	Housing Grant #DR10R-009-016	Stellar Grant #SCP-010-006	Debt Bond Service	Cumulative Capital Improvement	Greensburg Street Phase I and II
Cash and investments - beginning	\$ 48,251	\$ 2	\$ -	\$ 22,031	\$ 84,540	\$ 379,720
Receipts:						
Taxes	-	-	-	70,221	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	4,079	18,710	60,000
Charges for services	166,015	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	105,645	428,488	38	-	-
Total receipts	<u>166,015</u>	<u>105,645</u>	<u>428,488</u>	<u>74,338</u>	<u>18,710</u>	<u>60,000</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	375,395	-	-	113
Other services and charges	190,071	105,616	-	69,729	-	-
Capital outlay	-	-	-	-	15,000	12,595
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>190,071</u>	<u>105,616</u>	<u>375,395</u>	<u>69,729</u>	<u>15,000</u>	<u>12,708</u>
Excess (deficiency) of receipts over disbursements	<u>(24,056)</u>	<u>29</u>	<u>53,093</u>	<u>4,609</u>	<u>3,710</u>	<u>47,292</u>
Cash and investments - ending	<u>\$ 24,195</u>	<u>\$ 31</u>	<u>\$ 53,093</u>	<u>\$ 26,640</u>	<u>\$ 88,250</u>	<u>\$ 427,012</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Hayden Pike	Cemetery Perpetual Care	Payroll	2006 Bond Principal and Interest	2006 Reserve Account	2003 Tax Incement
Cash and investments - beginning	\$ 108,766	\$ 7,000	\$ -	\$ -	\$ 200,000	\$ 487,156
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	23,389	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	211,837	-	2,643,067	511,580	22	1,465,582
Total receipts	<u>235,226</u>	<u>-</u>	<u>2,643,067</u>	<u>511,580</u>	<u>22</u>	<u>1,465,582</u>
Disbursements:						
Personal services	-	-	2,643,067	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	255,762	21	1,464,111
Capital outlay	187,298	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>187,298</u>	<u>-</u>	<u>2,643,067</u>	<u>255,762</u>	<u>21</u>	<u>1,464,111</u>
Excess (deficiency) of receipts over disbursements	<u>47,928</u>	<u>-</u>	<u>-</u>	<u>255,818</u>	<u>1</u>	<u>1,471</u>
Cash and investments - ending	<u>\$ 156,694</u>	<u>\$ 7,000</u>	<u>\$ -</u>	<u>\$ 255,818</u>	<u>\$ 200,001</u>	<u>\$ 488,627</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	2003 Bond Principal and Interest	2003 Reserve Account	2003 General Account	Aviation AIP #3-18-0063-14	Aviation Dave O'Mara Retainage	Aviation
Cash and investments - beginning	\$ 1	\$ 500,001	\$ 106,314	\$ -	\$ 10,912	\$ 89,480
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	122,997
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	462,495	59	13	266,176	-	3,900
Total receipts	<u>462,495</u>	<u>59</u>	<u>13</u>	<u>266,176</u>	<u>-</u>	<u>126,897</u>
Disbursements:						
Personal services	-	-	-	-	-	1,477
Supplies	-	-	-	-	-	1,863
Other services and charges	231,248	59	12	-	-	89,909
Capital outlay	-	-	-	-	-	62,314
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>231,248</u>	<u>59</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>155,563</u>
Excess (deficiency) of receipts over disbursements	<u>231,247</u>	<u>-</u>	<u>1</u>	<u>266,176</u>	<u>-</u>	<u>(28,666)</u>
Cash and investments - ending	<u>\$ 231,248</u>	<u>\$ 500,001</u>	<u>\$ 106,315</u>	<u>\$ 266,176</u>	<u>\$ 10,912</u>	<u>\$ 60,814</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Aviation Rotary	Aviation AIP #3-18-0063-07	Aviation Bishop Hangar	Aviation NVIC Hangar	Aviation AIP #3-18-0063-10	Aviation AIP #3-18-0063-11
Cash and investments - beginning	\$ 33,695	\$ 5,980	\$ 3,138	\$ 3,900	\$ 461	\$ 5,962
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	301,049	-	26,400	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	4,350	-	4,442	69,593
Total receipts	<u>301,049</u>	<u>-</u>	<u>30,750</u>	<u>-</u>	<u>4,442</u>	<u>69,593</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	276,264	-	-	3,900	-	37,250
Other services and charges	-	5,980	30,776	-	461	-
Capital outlay	21,500	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>297,764</u>	<u>5,980</u>	<u>30,776</u>	<u>3,900</u>	<u>461</u>	<u>37,250</u>
Excess (deficiency) of receipts over disbursements	<u>3,285</u>	<u>(5,980)</u>	<u>(26)</u>	<u>(3,900)</u>	<u>3,981</u>	<u>32,343</u>
Cash and investments - ending	<u>\$ 36,980</u>	<u>\$ -</u>	<u>\$ 3,112</u>	<u>\$ -</u>	<u>\$ 4,442</u>	<u>\$ 38,305</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Aviation AIP #3-18-0063-12	Aviation AIP #3-18-0063-13	Stormwater Utility	Sewage Headworks	Sewage Utility	Sewage Utility Depreciation
Cash and investments - beginning	\$ 1,839	\$ 38,305	\$ 440,802	\$ -	\$ 792,939	\$ 230,714
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	128,164	-	1,776,782	-
Other receipts	62,748	250,509	588,373	423,837	21,520	261,685
Total receipts	<u>62,748</u>	<u>250,509</u>	<u>716,537</u>	<u>423,837</u>	<u>1,798,302</u>	<u>261,685</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	63,734	276,387	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	671,575	356,940	512,369	-
Utility operating expenses	-	-	5,853	35,915	631,633	154,805
Other disbursements	-	-	51,500	-	274,925	2,601
Total disbursements	<u>63,734</u>	<u>276,387</u>	<u>728,928</u>	<u>392,855</u>	<u>1,418,927</u>	<u>157,406</u>
Excess (deficiency) of receipts over disbursements	<u>(986)</u>	<u>(25,878)</u>	<u>(12,391)</u>	<u>30,982</u>	<u>379,375</u>	<u>104,279</u>
Cash and investments - ending	<u>\$ 853</u>	<u>\$ 12,427</u>	<u>\$ 428,411</u>	<u>\$ 30,982</u>	<u>\$ 1,172,314</u>	<u>\$ 334,993</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Sewage Construction	Debt Service Reserve Account	Sewage Utility Bond and Interest	Sewage Utility Capacity Fund	Energy Grant	Water Line Construction
Cash and investments - beginning	\$ 168,545	\$ 574,183	\$ 683,998	\$ 121,803	\$ 98,514	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	36,840	-	-
Other receipts	35,657	-	247,643	-	94,478	390,036
Total receipts	<u>35,657</u>	<u>-</u>	<u>247,643</u>	<u>36,840</u>	<u>94,478</u>	<u>390,036</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	240,036	-	-	-
Utility operating expenses	41,587	-	-	37,020	192,992	-
Other disbursements	-	-	-	-	-	371,160
Total disbursements	<u>41,587</u>	<u>-</u>	<u>240,036</u>	<u>37,020</u>	<u>192,992</u>	<u>371,160</u>
Excess (deficiency) of receipts over disbursements	<u>(5,930)</u>	<u>-</u>	<u>7,607</u>	<u>(180)</u>	<u>(98,514)</u>	<u>18,876</u>
Cash and investments - ending	<u>\$ 162,615</u>	<u>\$ 574,183</u>	<u>\$ 691,605</u>	<u>\$ 121,623</u>	<u>\$ -</u>	<u>\$ 18,876</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Water Operating	Waterworks Capital Improvement	Waterworks Depreciation	Waterworks Meter Deposit	Waterworks Revenue Bond 2005	Hayden Pike Water
Cash and investments - beginning	\$ 1,212,906	\$ 137,335	\$ 508,592	\$ 106,301	\$ 74,832	\$ 208,005
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	2,049,186	-	-	35,734	-	-
Other receipts	184,437	120,000	49,531	-	135,556	427,361
Total receipts	<u>2,233,623</u>	<u>120,000</u>	<u>49,531</u>	<u>35,734</u>	<u>135,556</u>	<u>427,361</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	3,389	25,805	200,124	-
Utility operating expenses	704,436	57,090	198	-	-	-
Other disbursements	1,095,946	-	-	-	-	437,441
Total disbursements	<u>1,800,382</u>	<u>57,090</u>	<u>3,587</u>	<u>25,805</u>	<u>200,124</u>	<u>437,441</u>
Excess (deficiency) of receipts over disbursements	<u>433,241</u>	<u>62,910</u>	<u>45,944</u>	<u>9,929</u>	<u>(64,568)</u>	<u>(10,080)</u>
Cash and investments - ending	<u>\$ 1,646,147</u>	<u>\$ 200,245</u>	<u>\$ 554,536</u>	<u>\$ 116,230</u>	<u>\$ 10,264</u>	<u>\$ 197,925</u>

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Water Clarifier Project	Water Utility Bond and Interest 2010	Water Debt Reserve 2010	Waterworks Refunding Bond 2010	Sunesis Construction Retainage	Totals
Cash and investments - beginning	\$ 60,436	\$ -	\$ -	\$ 79,085	\$ 67,825	\$ 14,262,087
Receipts:						
Taxes	-	-	-	-	-	8,990,567
Licenses and permits	-	-	-	-	-	50
Intergovernmental	-	-	-	-	-	2,231,789
Charges for services	-	-	-	-	-	1,067,271
Fines and forfeits	-	-	-	-	-	8,740
Utility fees	-	-	-	-	-	4,026,706
Other receipts	276,582	34,678	9,600	217,174	1,494	10,402,201
Total receipts	<u>276,582</u>	<u>34,678</u>	<u>9,600</u>	<u>217,174</u>	<u>1,494</u>	<u>26,727,324</u>
Disbursements:						
Personal services	-	-	-	-	-	4,873,810
Supplies	-	-	-	-	-	4,504,865
Other services and charges	-	-	-	-	-	4,935,897
Capital outlay	-	-	-	296,238	54,919	5,792,833
Utility operating expenses	276,844	-	-	-	-	2,138,373
Other disbursements	-	34,678	9,600	-	-	2,277,851
Total disbursements	<u>276,844</u>	<u>34,678</u>	<u>9,600</u>	<u>296,238</u>	<u>54,919</u>	<u>24,523,629</u>
Excess (deficiency) of receipts over disbursements	<u>(262)</u>	<u>-</u>	<u>-</u>	<u>(79,064)</u>	<u>(53,425)</u>	<u>2,203,695</u>
Cash and investments - ending	<u>\$ 60,174</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21</u>	<u>\$ 14,400</u>	<u>\$ 16,465,782</u>

CITY OF NORTH VERNON
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Notes and loans	Airport terminal structure	\$ 23,130	\$ 24,059
General obligation bonds	Police Cars	66,915	69,729
Revenue bonds	2003 Redevelopment district tax increment	4,535,000	231,244
Revenue bonds	2006 Redevelopment district tax increment	<u>1,125,000</u>	<u>255,918</u>
Total governmental activities		<u>5,750,045</u>	<u>580,950</u>
Water utility:			
Notes and loans	State revolving loan	1,013,633	76,492
Revenue bonds	2005 Waterworks	1,825,000	200,272
Revenue bonds	2010 Waterworks	1,590,000	295,480
Revenue bonds	2011 USDA rural development	<u>390,000</u>	<u>36,146</u>
Total water utility		<u>4,818,633</u>	<u>608,390</u>
Wastewater utility:			
Revenue bonds	2006 Tax increment and sewage works revenue	580,000	66,495
Revenue bonds	2006 Tax increment and sewage works refunding	<u>5,040,000</u>	<u>496,167</u>
Total wastewater utility		<u>5,620,000</u>	<u>562,662</u>
Totals		<u>\$ 16,188,678</u>	<u>\$ 1,752,002</u>

CITY OF NORTH VERNON
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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

	Ending Balance
Governmental activities:	
Land	\$ 1,494,204
Infrastructure	8,492,691
Buildings	4,707,518
Improvements other than buildings	3,178,277
Machinery, equipment and vehicles	5,674,078
Total governmental activities	23,546,768
Airport:	
Land	1,500,180
Buildings	1,947,760
Improvements other than buildings	5,662,099
Machinery, equipment and vehicles	168,033
Total Airport	9,278,072
Wastewater:	
Land	91,962
Buildings	325,000
Improvements other than buildings	22,293,182
Machinery, equipment and vehicles	744,264
Total Wastewater	23,454,408
Water:	
Land	14,300
Buildings	246,316
Improvements other than buildings	8,771,934
Machinery, equipment and vehicles	270,319
Total Water	9,302,869
Total capital assets	\$ 65,582,117

CITY OF NORTH VERNON
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS - SEGREGATION OF DUTIES

The City and its utilities do not have adequate segregation of accounting duties or compensating controls in place to ensure the accuracy of financial reporting and the safeguarding of cash as described below:

1. The Deputy Clerk-Treasurer is responsible for the following duties:
 - (a) writing receipts; recording receipts; preparing the deposit ticket and making deposits;
 - (b) writing vendor checks and recording vendor checks in the records;
 - (c) writing payroll checks and recording payroll checks in the records;
 - (d) recording payroll withholding amounts paid and writing payroll withholding checks;
 - (e) recording adjustments or corrections to the records.
2. The part-time City Clerk is responsible for performing month end bank reconcilements and all the duties of the Deputy Clerk-Treasurer noted above, except for recording adjustments or corrections to the records.
3. The Utilities' Office Manager, Administrative Assistant, and Billing Clerk all can and do perform the following duties:
 - (a) preparing customer billings and posting the charges to customers' accounts;
 - (b) collecting customers' payments and posting the payments to the customers' accounts;
 - (c) balancing the cash drawer at the end of the day;
 - (d) preparing bank deposits tickets.

In addition, the Office Manager is responsible for posting any required adjustments to customer accounts.

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)

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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
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of North Vernon (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal program(s) for the year ended December 31, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in internal control over compliance 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, 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, federal awarding agencies, and pass-through entities 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 27, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

CITY OF NORTH VERNON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct Grant			
Water and Waste Disposal Systems for Rural Communities	10.760		
Water Supply and Distribution System		15-040-356001146	\$ 371,160
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Office of Community and Rural Affairs			
CDBG - State Administered CDBG Cluster			
Community Development Block Grants/State's Program			
and Non-Entitlement Grants in Hawaii	14.228		
Community Focus Grant		CF-09-215	191,541
Disaster Recovery Grant		DR2-09-110	588,305
Disaster Recovery Grant		DR2-09-165	421,236
Pass-Through Indiana Housing and Community Development Authority			
Community Development Block Grants/State's Program			
and Non-Entitlement Grants in Hawaii	14.228		
Homeowner Repair and Improvement		DR10R-009-016	105,607
Homeowner Repair and Improvement		HD-011-011	132,133
Total for cluster			<u>1,438,822</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Bulletproof Vest Partnership Program	16.607		
Fiscal Year 2010 Award			<u>630</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205		
Hayden Pike			<u>211,837</u>
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
State and Community Highway Safety	20.600		
Operation Pullover		OP-11-02-01-81	262
Operation Pullover		OP-12-04-02-66	750
Total for cluster			<u>1,012</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF NORTH VERNON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2011
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION (continued)</u>			
Direct Grant			
Airport Improvement Program	20.106		
Design for Installation of Perimeter Fence		AIP-13-18-0063-10	4,261
Design for T-Hanger Taxiway and Apron Rehab Phase 1		AIP-13-18-0063-11	67,671
Install Perimeter Fencing		AIP-13-18-0063-12	61,523
T-Hanger Taxiway Rehabilitation; Overlay Runway 5-23 Phase 1 Design		AIP-13-18-0063-13	221,425
Rehabilitate Runway 5-23 Phase 2 Construction		AIP-13-18-0063-14	<u>166,176</u>
Total for program			<u>521,056</u>
Total for federal grantor agency			<u>733,905</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Direct Grant			
Congressionally Mandated Projects	66.202		
Hayden Pike Water Extension and Water Treatment Plant Clarifier		EX-00E00485-1	<u>427,351</u>
Pass-Through Indiana Finance Authority			
Capitalization Grants for Drinking Water State Revolving Funds Water Clarifier Project	66.468	DW09564001	<u>216,241</u>
Total for federal grantor agency			<u>643,592</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
Pass-Through Indiana Office of the Lieutenant Governor			
ARRA - State Energy Program Wastewater Treatment Plant Efficiency Upgrades	81.041	DD-EE-000725	<u>94,478</u>
Total federal awards expended			<u>\$ 3,282,587</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF NORTH VERNON
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of North Vernon and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to the financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities CDBG – State Administered CDBG Cluster
66.202	Congressionally Mandated Projects

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 2011-1 - INTERNAL CONTROLS - SEGREGATION OF DUTIES

The City and its utilities do not have adequate segregation of accounting duties or compensating controls in place to ensure the accuracy of financial reporting and safeguarding of cash. We believe the following deficiencies constitute a material weakness:

1. The Deputy Clerk-Treasurer is responsible for the following duties:
 - (a) writing receipts; recording receipts; preparing the deposit ticket and making deposits;

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

- (b) writing vendor checks and recording vendor checks in the records;
 - (c) writing payroll checks and recording payroll checks in the records;
 - (d) recording payroll withholding amounts paid and writing payroll withholding checks;
 - (e) recording adjustments or corrections to the records.
2. The part-time City Clerk is responsible for performing month end bank reconcilements and all duties of the Deputy Clerk-Treasurer noted above, except for recording adjustments or corrections to the records.
3. The Utilities' Office Manager, Administrative Assistant, and Billing Clerk all can and do perform the following duties:
- (a) preparing customer billings and posting the changes to the customers' accounts;
 - (b) collecting customers' payments and posting the payments to the customers' accounts;
 - (c) balancing the cash drawer at the end of the day;
 - (d) preparing the bank deposits.

In addition to the above responsibilities, the Utilities' Office Manager is responsible for posting any required adjustments to customer accounts.

Segregation of duties is the concept of having different people do different tasks within the organization. Segregation of duties provides the foundation of good internal control by assuring that no one individual is in a position to perpetuate and conceal errors or irregularities in the normal course of their authorized duties. Compensating controls are safeguards put in place to mitigate the effects of the lack of segregation of duties.

The lack of segregation is caused by the City and its utilities having a small staff that limits the City and Utilities' ability to segregate accounting duties.

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 objections, 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)

We recommended that City officials design and implement segregation of accounting duties or compensating controls.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF NORTH VERNON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



CITY OF NORTH VERNON

CLERK-TREASURER

275 MAIN 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

August 27, 2012

State Board of Accounts

RE: Finding 2011-1

Internal Controls: Segregation of Duties

To Whom It May Concern:

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 City is going to review the job duties of the employees in the Clerk-Treasurer's office and the Utility office, in order, to develop and implement more effective segregation of duties controls.

Sincerely,

Raymond Gerkin, Clerk-Treasurer
Clerk-Treasurer, City of North Vernon
(812) 346-5907

CITY OF NORTH VERNON
EXIT CONFERENCE

The contents of this report were discussed on August 27, 2012, Harold N. Campbell, Mayor; Roger W. Short, former Clerk-Treasurer; Rita L. Elmore, Deputy Clerk-Treasurer; and Connie Rayburn, member of the Common Council.