

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, 2016 to December 31, 2016



FILED
01/03/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	R. Shawn Gerkin	01-01-16 to 12-31-19
Mayor	Michael Ochs	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Michael Ochs	01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Brian Hatfield	01-01-16 to 12-31-18
Utility Office Manager	Traci Wahlman-Ickx (Vacant) Gloria Bennett (Vacant) Cara Giles	01-01-16 to 02-26-16 02-27-16 to 04-17-16 04-18-16 to 12-07-17 12-08-17 to 12-17-17 12-18-17 to 12-31-18



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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of North Vernon (City), which comprises the financial position and results of operations for the year ended December 31, 2016, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2016.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2016, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2018, 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 solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

November 15, 2018



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the City of North Vernon (City), which comprises the financial position and results of operations for the year ended December 31, 2016, and the related notes to the financial statement, and have issued our report thereon dated November 15, 2018, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 City's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-002, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002.

City of North Vernon's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

November 15, 2018

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF NORTH VERNON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2016

Fund	Cash and Investments			Cash and Investments 12-31-16
	01-01-16	Receipts	Disbursements	
General	\$ 1,238,182	\$ 3,187,624	\$ 3,152,231	\$ 1,273,575
Motor Vehicle	109,442	537,705	508,536	138,611
Local Road & Street	85,997	32,579	30,152	88,424
Riverboat Tax Revenue	390,062	39,855	-	429,917
Recreation	41,161	171,869	162,470	50,560
Rainy Day	26,607	585,507	490,833	121,281
Levy Excess	16,326	-	-	16,326
Cumulative Cap.Develop.Fund	86,064	95,488	142,839	38,713
Cedit Fund	463,038	268,396	527,710	203,724
Police Pension Fund	349,753	116,836	81,799	384,790
LOIT Public Safety	308,536	332,027	281,500	359,063
City of NV/Windstream Technology	35,000	10,000	-	45,000
NV/Exergistics	-	500,000	-	500,000
D/J Equitable Sharing Program	2,117	-	-	2,117
Annexation Fund	17,527	-	17,527	-
NVRC 2015 Bond	4,665,656	8,868	1,088,693	3,585,831
NVRC 2015 Debt Reserve	406,818	-	-	406,818
COB-Panther Base	-	150,000	150,000	-
INDOT/Community Crossroad Grant	-	749,819	4,930	744,889
Cemetery	15,243	30,840	26,849	19,234
Police Donation Fund	4,241	332	200	4,373
Festival Non-Reverting	21,887	18,036	27,557	12,366
Street Cut Fund	7,500	1,500	2,500	6,500
Fire Dept. Non-Reverting	9,876	7,131	3,323	13,684
Recreation Non-Reverting	13,352	65,345	57,444	21,253
Alarm Fee Non-Reverting Fund	1,573	1,815	1,606	1,782
Impound Fee Non-Reverting	5,475	3,300	2,721	6,054
Nv Education & Training Center	47,253	116,961	76,444	87,770
No. Vernon Redevelopment Comm.	4,089,214	2,735,000	2,621,498	4,202,716
Waste Disposal & Recycling Fund	87,577	139,647	144,975	82,249
N.V. Community Development	467,481	-	-	467,481
N. V. Police Education	21,715	11,735	5,054	28,396
Police Drug Task Force	2,592	20	1,515	1,097
Police Grants	1,366	10,977	10,793	1,550
North Vernon-Carnegie Building	30,561	28,000	31,856	26,705
Stellar Grant #Scp-010-006	566,266	478,712	844,554	200,424
Debt Bond Service	32,827	81,499	45,753	68,573
Cumulative Capital Improv.	98,850	17,148	15,000	100,998
Greensburg Street Phase I & II	22,418	-	-	22,418
Cemetery Per. Care	7,000	-	-	7,000
Pay/Roll Fund	-	3,254,083	3,254,083	-
AIP #3-18-0063-18 Hangar Devel.	-	17,526	17,526	-
Aviation AIP #3-18-0063-17	2,262	-	-	2,262
Aviation	100,150	204,848	189,254	115,744
Aviation Rotary Fund	103,183	154,932	178,383	79,732
Aviation Hangar	31,746	38,575	54,608	15,713
Stormwater Utility Fund	370,488	125,325	107,116	388,697
2015 SRF WW North Vernon Construction 15A1	-	192,598	192,598	-
2015 SRF Bond & Interest	-	179,074	179,074	-
2015 SRF WW North Vernon B and I	17,815	149,832	68,363	99,284
2015 SRF WW North Vernon DSR	577,936	42,733	174,059	446,610
2015 SRF WW North Vernon Construction 15B	2,967,557	3,949	2,276,880	694,626
2016 S.U. Refunding Bond & Interest	-	268,308	64,899	203,409
2015 SRFWW N.V. Constr. 15A2	-	1,786,304	1,786,304	-
Sewage Utility	696,632	2,066,421	2,296,113	466,940
Sewage Utility Depreciation	307,541	267,929	37,082	538,388
Sewage Improvement Fund	1,749,138	410,651	304,148	1,855,641
Debt Service Reserve Account	425,500	-	-	425,500
Sewage Utility Bond & Interest	262,652	142,259	404,535	376
Sewage Utility Capacity Fund	236,169	8,143	-	244,312
Water Debt Payment	106,067	117,802	118,115	105,754
Water Util. Debt Reserve 2011	47,568	11,892	-	59,460
SRF North Vernon DW S & I	47,537	77,853	77,205	48,185
SRF North Vernon DW SRF	471,908	691	-	472,599
Waterworks Refunding Bond of 2010	-	294,070	145,750	148,320
Water Operating	529,514	2,150,560	2,176,024	504,050
Water Works Capital Improvement	50,985	59,500	37,787	72,698
Water-Works Depreciation	117,035	180,137	18,551	278,621
Water-Works Meter Deposit	136,313	35,700	22,031	149,982
Waterworks Revenue Bond-2005	10,325	200,660	200,060	10,925
Water Utility Bond & Int 2010	-	77,823	77,823	-
Waterworks Refunding Bond 2010	2	295,327	294,070	1,259
Cob Non-Reverting Fund	219,471	355,331	300,552	274,250
Totals	\$ 23,382,047	\$ 23,705,407	\$ 25,611,855	\$ 21,475,599

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

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

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

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

CITY OF NORTH VERNON
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Charges for services. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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.

Utility fees. Amounts received from charges for current services.

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

E. Disbursements

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

Personal services. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but 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, make transfers 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 amounts 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 amounts 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

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
One North Capitol, 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. *Subsequent Events*

On August,1, 2017, the City entered into a Guaranteed Savings Contract and Draw-Down Guaranteed Savings Installment Payment Contract (GSIPC) in connection with the installation of certain conservative measures at all of the City's facilities, which are anticipated to significantly reduce the City's use of electricity generated by the local electric utilities. The maximum amount of draw-downs is \$5,399,900.

On November 14, 2018, the City entered into a \$6.7 million capital lease with the North Vernon Building Corporation for public park and swimming pool improvements.

Note 8. *Other Postemployment Benefits*

The City provides to eligible retirees and their spouses the following benefits: payment for a portion of their insurance premiums. These benefits pose a liability to the City for this year and in future years. Information regarding the benefits can be obtained by contacting the City.

OTHER INFORMATION - UNAUDITED

The City's Annual Financial Report information can be found on the Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>.

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

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

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	General	Motor Vehicle	Local Road & Street	Riverboat Tax Revenue	Recreation	Rainy Day
Cash and investments - beginning	\$ 1,238,182	\$ 109,442	\$ 85,997	\$ 390,062	\$ 41,161	\$ 26,607
Receipts:						
Taxes	1,819,925	271,509	-	-	148,696	-
Licenses and permits	200	-	-	-	-	-
Intergovernmental receipts	1,288,960	239,808	28,516	39,855	12,694	315,507
Charges for services	51,501	-	-	-	795	-
Utility fees	-	-	-	-	-	-
Other receipts	27,038	26,388	4,063	-	9,684	270,000
Total receipts	3,187,624	537,705	32,579	39,855	171,869	585,507
Disbursements:						
Personal services	1,763,472	451,075	-	-	115,259	490,833
Supplies	1,098,782	53,696	7,718	-	2,223	-
Other services and charges	210,975	1,608	-	-	44,988	-
Capital outlay	79,002	2,157	22,434	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	3,152,231	508,536	30,152	-	162,470	490,833
Excess (deficiency) of receipts over disbursements	35,393	29,169	2,427	39,855	9,399	94,674
Cash and investments - ending	\$ 1,273,575	\$ 138,611	\$ 88,424	\$ 429,917	\$ 50,560	\$ 121,281

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Levy Excess	Cumulative Cap.Develop.Fund	Cedit Fund	Police Pension Fund	LOIT Public Safety	City of NV/Windstream Technology
Cash and investments - beginning	\$ 16,326	\$ 86,064	\$ 463,038	\$ 349,753	\$ 308,536	\$ 35,000
Receipts:						
Taxes	-	87,980	-	32,098	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	7,508	268,396	2,733	331,919	-
Charges for services	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	82,005	108	10,000
Total receipts	-	95,488	268,396	116,836	332,027	10,000
Disbursements:						
Personal services	-	-	-	81,699	259,392	-
Supplies	-	-	-	100	-	-
Other services and charges	-	-	70,000	-	22,108	-
Capital outlay	-	142,839	457,710	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	142,839	527,710	81,799	281,500	-
Excess (deficiency) of receipts over disbursements	-	(47,351)	(259,314)	35,037	50,527	10,000
Cash and investments - ending	\$ 16,326	\$ 38,713	\$ 203,724	\$ 384,790	\$ 359,063	\$ 45,000

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	NV/Exergistics	D/J Equitable Sharing Program	Annexation Fund	NVRC 2015 Bond	NVRC 2015 Debt Reserve	COB-Panther Base
Cash and investments - beginning	\$ -	\$ 2,117	\$ 17,527	\$ 4,665,656	\$ 406,818	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	150,000
Utility fees	-	-	-	-	-	-
Other receipts	500,000	-	-	8,868	-	-
Total receipts	500,000	-	-	8,868	-	150,000
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	17,527	-	-	-
Other services and charges	-	-	-	-	-	150,000
Capital outlay	-	-	-	1,088,693	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	-	17,527	1,088,693	-	150,000
Excess (deficiency) of receipts over disbursements	500,000	-	(17,527)	(1,079,825)	-	-
Cash and investments - ending	\$ 500,000	\$ 2,117	\$ -	\$ 3,585,831	\$ 406,818	\$ -

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	INDOT/Community Crossroad Grant	Cemetery	Police Donation Fund	Festival Non-Reverting	Street Cut Fund	Fire Dept. Non-Reverting
Cash and investments - beginning	\$ -	\$ 15,243	\$ 4,241	\$ 21,887	\$ 7,500	\$ 9,876
Receipts:						
Taxes	-	26,877	-	-	-	-
Licenses and permits	-	-	-	-	1,500	-
Intergovernmental receipts	263,189	2,289	-	-	-	-
Charges for services	-	1,650	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	486,630	24	332	18,036	-	7,131
Total receipts	749,819	30,840	332	18,036	1,500	7,131
Disbursements:						
Personal services	-	5,200	200	-	-	-
Supplies	-	20,733	-	19,488	-	3,323
Other services and charges	4,930	891	-	8,069	-	-
Capital outlay	-	25	-	-	2,500	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	4,930	26,849	200	27,557	2,500	3,323
Excess (deficiency) of receipts over disbursements	744,889	3,991	132	(9,521)	(1,000)	3,808
Cash and investments - ending	\$ 744,889	\$ 19,234	\$ 4,373	\$ 12,366	\$ 6,500	\$ 13,684

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Recreation Non-Reverting	Alarm Fee Non-Reverting Fund	Impound Fee Non-Reverting	Nv Education & Training Center	No. Vernon Redevelopment Comm.	Waste Disposal & Recycling Fund
Cash and investments - beginning	\$ 13,352	\$ 1,573	\$ 5,475	\$ 47,253	\$ 4,089,214	\$ 87,577
Receipts:						
Taxes	-	-	-	-	2,545,799	-
Licenses and permits	-	1,815	3,300	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	63,945	-	-	72,456	166,853	138,597
Utility fees	-	-	-	-	-	-
Other receipts	1,400	-	-	44,505	22,348	1,050
Total receipts	65,345	1,815	3,300	116,961	2,735,000	139,647
Disbursements:						
Personal services	-	-	-	30,963	-	1,190
Supplies	57,444	1,606	-	-	-	18,931
Other services and charges	-	-	-	45,481	913,462	86,297
Capital outlay	-	-	2,721	-	1,708,036	38,557
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	57,444	1,606	2,721	76,444	2,621,498	144,975
Excess (deficiency) of receipts over disbursements	7,901	209	579	40,517	113,502	(5,328)
Cash and investments - ending	\$ 21,253	\$ 1,782	\$ 6,054	\$ 87,770	\$ 4,202,716	\$ 82,249

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	N.V. Community Development	N. V. Police Education	Police Drug Task Force	Police Grants	North Vernon-Carnegie Building	Stellar Grant #Scp-010-006
Cash and investments - beginning	\$ 467,481	\$ 21,715	\$ 2,592	\$ 1,366	\$ 30,561	\$ 566,266
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	11,735	-	-	-	-
Intergovernmental receipts	-	-	-	10,977	-	476,792
Charges for services	-	-	-	-	12,000	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	20	-	16,000	1,920
Total receipts	-	11,735	20	10,977	28,000	478,712
Disbursements:						
Personal services	-	-	-	8,053	-	-
Supplies	-	5,054	1,515	2,740	31,856	-
Other services and charges	-	-	-	-	-	844,554
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	5,054	1,515	10,793	31,856	844,554
Excess (deficiency) of receipts over disbursements	-	6,681	(1,495)	184	(3,856)	(365,842)
Cash and investments - ending	\$ 467,481	\$ 28,396	\$ 1,097	\$ 1,550	\$ 26,705	\$ 200,424

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Debt Bond Service	Cumulative Capital Improv.	Greensburg Street Phase I & II	Cemetery Per. Care	Pay/Roll Fund	AIP #3-18-0063-18 Hangar Devel.
Cash and investments - beginning	\$ 32,827	\$ 98,850	\$ 22,418	\$ 7,000	\$ -	\$ -
Receipts:						
Taxes	75,605	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	5,894	17,148	-	-	-	-
Charges for services	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	3,254,083	17,526
Total receipts	81,499	17,148	-	-	3,254,083	17,526
Disbursements:						
Personal services	-	-	-	-	3,254,083	-
Supplies	45,753	-	-	-	-	-
Other services and charges	-	-	-	-	-	17,526
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	15,000	-	-	-	-
Total disbursements	45,753	15,000	-	-	3,254,083	17,526
Excess (deficiency) of receipts over disbursements	35,746	2,148	-	-	-	-
Cash and investments - ending	\$ 68,573	\$ 100,998	\$ 22,418	\$ 7,000	\$ -	\$ -

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Aviation AIP #3-18-0063-17	Aviation	Aviation Rotary Fund	Aviation Hangar	Stormwater Utility Fund	2015 SRF WW North Vernon Construction 15A1
Cash and investments - beginning	\$ 2,262	\$ 100,150	\$ 103,183	\$ 31,746	\$ 370,488	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	155,779	154,932	38,575	-	-
Utility fees	-	-	-	-	124,575	-
Other receipts	-	49,069	-	-	750	192,598
Total receipts	-	204,848	154,932	38,575	125,325	192,598
Disbursements:						
Personal services	-	1,097	-	-	10,000	-
Supplies	-	7,450	139,146	-	-	-
Other services and charges	-	155,643	4,237	54,608	-	-
Capital outlay	-	25,064	-	-	-	-
Utility operating expenses	-	-	-	-	7,827	-
Other disbursements	-	-	35,000	-	89,289	192,598
Total disbursements	-	189,254	178,383	54,608	107,116	192,598
Excess (deficiency) of receipts over disbursements	-	15,594	(23,451)	(16,033)	18,209	-
Cash and investments - ending	\$ 2,262	\$ 115,744	\$ 79,732	\$ 15,713	\$ 388,697	\$ -

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	2015 SRF Bond & Interest	2015 SRF WW North Vernon B and I	2015 SRF WW North Vernon DSR	2015 SRF WW North Vernon Construction 15B	2016 S.U. Refunding Bond & Interest	2015 SRF WW North Vernon Constr. 15A2
Cash and investments - beginning	\$ -	\$ 17,815	\$ 577,936	\$ 2,967,557	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	179,074	149,832	42,733	3,949	268,308	1,786,304
Total receipts	179,074	149,832	42,733	3,949	268,308	1,786,304
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	179,074	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	68,363	174,059	2,276,880	64,899	1,786,304
Total disbursements	179,074	68,363	174,059	2,276,880	64,899	1,786,304
Excess (deficiency) of receipts over disbursements	-	81,469	(131,326)	(2,272,931)	203,409	-
Cash and investments - ending	\$ -	\$ 99,284	\$ 446,610	\$ 694,626	\$ 203,409	\$ -

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Sewage Utility	Sewage Utility Depreciation	Sewage Improvement Fund	Debt Service Reserve Account	Sewage Utility Bond & Interest
Cash and investments - beginning	\$ 696,632	\$ 307,541	\$ 1,749,138	\$ 425,500	\$ 262,652
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Utility fees	2,057,462	-	67,996	-	-
Other receipts	8,959	267,929	342,655	-	142,259
Total receipts	2,066,421	267,929	410,651	-	142,259
Disbursements:					
Personal services	722,601	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Capital outlay	457,983	-	294,148	-	404,535
Utility operating expenses	70,195	37,082	-	-	-
Other disbursements	1,045,334	-	10,000	-	-
Total disbursements	2,296,113	37,082	304,148	-	404,535
Excess (deficiency) of receipts over disbursements	(229,692)	230,847	106,503	-	(262,276)
Cash and investments - ending	\$ 466,940	\$ 538,388	\$ 1,855,641	\$ 425,500	\$ 376

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Sewage Utility Capacity Fund	Water Debt Payment	Water Utl. Debt Reserve 2011	SRF North Vernon DW S & I	SRF North Vernon DW SRF
Cash and investments - beginning	\$ 236,169	\$ 106,067	\$ 47,568	\$ 47,537	\$ 471,908
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Utility fees	7,575	-	-	-	-
Other receipts	568	117,802	11,892	77,853	691
Total receipts	8,143	117,802	11,892	77,853	691
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Capital outlay	-	118,115	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	77,205	-
Total disbursements	-	118,115	-	77,205	-
Excess (deficiency) of receipts over disbursements	8,143	(313)	11,892	648	691
Cash and investments - ending	\$ 244,312	\$ 105,754	\$ 59,460	\$ 48,185	\$ 472,599

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Waterworks Refunding Bond of 2010	Water Operating	Water Works Capital Improvement	Water-Works Depreciation	Water-Works Meter Deposit
Cash and investments - beginning	\$ -	\$ 529,514	\$ 50,985	\$ 117,035	\$ 136,313
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	131,510	11,500	131,510	-
Charges for services	-	-	-	-	-
Utility fees	-	2,003,081	-	-	34,830
Other receipts	294,070	15,969	48,000	48,627	870
Total receipts	294,070	2,150,560	59,500	180,137	35,700
Disbursements:					
Personal services	-	799,604	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Capital outlay	-	-	37,787	4,205	21,976
Utility operating expenses	-	151,569	-	14,346	55
Other disbursements	145,750	1,224,851	-	-	-
Total disbursements	145,750	2,176,024	37,787	18,551	22,031
Excess (deficiency) of receipts over disbursements	148,320	(25,464)	21,713	161,586	13,669
Cash and investments - ending	\$ 148,320	\$ 504,050	\$ 72,698	\$ 278,621	\$ 149,982

CITY OF NORTH VERNON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Waterworks Revenue Bond-2005	Water Utility Bond & Int 2010	Waterworks Refunding Bond 2010	Cob Non-Reverting Fund	Totals
Cash and investments - beginning	\$ 10,325	\$ -	\$ 2	\$ 219,471	\$ 23,382,047
Receipts:					
Taxes	-	-	-	-	5,008,489
Licenses and permits	-	-	-	-	18,550
Intergovernmental receipts	-	-	-	-	3,586,705
Charges for services	-	-	-	-	1,007,083
Utility fees	-	-	-	-	4,295,519
Other receipts	200,660	77,823	295,327	355,331	9,789,061
Total receipts	200,660	77,823	295,327	355,331	23,705,407
Disbursements:					
Personal services	-	-	-	118,840	8,113,561
Supplies	-	-	-	9,391	1,544,476
Other services and charges	-	-	-	167,321	2,802,698
Capital outlay	200,060	77,823	294,070	3,500	5,663,014
Utility operating expenses	-	-	-	-	281,074
Other disbursements	-	-	-	1,500	7,207,032
Total disbursements	200,060	77,823	294,070	300,552	25,611,855
Excess (deficiency) of receipts over disbursements	600	-	1,257	54,779	(1,906,448)
Cash and investments - ending	\$ 10,925	\$ -	\$ 1,259	\$ 274,250	\$ 21,475,599

CITY OF NORTH VERNON
SCHEDULE OF LEASES AND DEBT
December 31, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: US Bancorp	2013 Fire Truck	\$ 37,458	12/15/2013	12/15/2021
Total of annual lease payments		<u>\$ 37,458</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities: Revenue bonds	NV Redevelopment Tax Increment Revenue Bonds-2015 \$6 000 000.00	\$ 5,767,999	\$ 405,819
Total governmental activities		<u>5,767,999</u>	<u>405,819</u>
Wastewater: Revenue bonds	SRF Revenue Bonds of 2015	6,500,000	191,227
Revenue bonds	2016 Wastewater Refunding Revenue	<u>4,020,000</u>	<u>487,893</u>
Total Wastewater		<u>10,520,000</u>	<u>679,120</u>
Water: Revenue bonds	Waterworks Refunding Revenue Bonds of 2010 \$1 970 000	289,999	298,662
Revenue bonds	Waterworks Revenue Bonds of 2005 \$2 500 000	1,250,000	199,660
Notes and loans payable	Waterworks Revenue Bonds of 2010 \$1 196 000	905,000	77,803
Notes and loans payable	Waterworks Revenue Bonds of 2011	<u>2,768,556</u>	<u>130,200</u>
Total Water		<u>5,213,555</u>	<u>706,325</u>
Totals		<u>\$ 21,501,554</u>	<u>\$ 1,791,264</u>

CITY OF NORTH VERNON
SCHEDULE OF CAPITAL ASSETS
December 31, 2016

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

	Ending Balance
Governmental activities:	
Land	\$ 2,663,763
Infrastructure	8,287,532
Buildings	4,658,518
Improvements other than buildings	3,182,055
Machinery, equipment, and vehicles	<u>6,058,818</u>
Total governmental activities	<u>24,850,686</u>
Airport:	
Land	1,500,180
Buildings	2,514,322
Improvements other than buildings	5,662,099
Machinery, equipment, and vehicles	<u>348,571</u>
Total Airport	<u>10,025,172</u>
Storm Water:	
Improvements other than buildings	1,800,000
Machinery, equipment, and vehicles	<u>26,253</u>
Total Storm Water	<u>1,826,253</u>
Wastewater:	
Land	421,962
Buildings	325,000
Improvements other than buildings	30,201,894
Machinery, equipment, and vehicles	<u>1,111,226</u>
Total Wastewater	<u>32,060,082</u>
Water:	
Land	7,800
Buildings	804,441
Improvements other than buildings	9,248,713
Machinery, equipment, and vehicles	<u>671,664</u>
Total Water	<u>10,732,618</u>
Golf Course:	
Land	862,231
Buildings	409,913
Machinery, equipment, and vehicles	<u>494,769</u>
Total Golf Course	<u>1,766,913</u>
Total capital assets	<u>\$ 81,261,724</u>

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for the Major Federal Program

We have audited the City of North Vernon's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2016. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

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

Report on Internal Control over Compliance

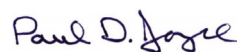
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2016-003, that we consider to be a material weakness.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

November 15, 2018

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

CITY OF NORTH VERNON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii		14.228			
Main Street Parking Improvements Stellar Facades	Indiana Housing and Community Development Authority Indiana Office of Community and Rural Affairs		DR2SC-014-001 ST-12-100	\$ -	\$ 93,080 130,317
Total - Department of Housing and Urban Development				-	223,397
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Stellar Grant Downtown Streetscape Phase 2			DES #1173751	-	164,193
Stellar Grant Muscacatuck			DES #1173332	-	60,016
Stellar Phase III-5th Street			DES #1500318	-	29,186
US 50 Construction			DES #1173374	-	143,010
Total - Highway Planning and Construction Cluster				-	396,405
Highway Safety Cluster					
National Priority Safety Programs	Indiana Criminal Justice Institute	20.616			
Traffic Safety Occupation Protection			D3-16-10172	-	3,996
Traffic Safety Occupation Protection			D3-16-10887	-	1,599
Total - Highway Safety Cluster				-	5,595
Total - Department of Transportation				-	402,000
Airport Improvement Program AIP #18	Direct grant	20.106			
			AIP #3-18-0063-18	-	11,267
<u>Environmental Protection Agency</u>					
Clean Water State Revolving Fund Cluster					
Capitalization Grants for Clean Water State Revolving Funds State Revolving Fund	Indiana Finance Authority	66.458			
			WW 140140 01	-	4,063,184
Total - Clean Water State Revolving Fund Cluster				-	4,063,184
Total - Environmental Protection Agency				-	4,063,184
Total federal awards expended				\$ -	\$ 4,699,848

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2016. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The City has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

CITY OF NORTH VERNON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weakness identified?	yes
Significant deficiency identified?	none reported
Any audit finding disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Clean Water State Revolving Fund Cluster	Unmodified
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	no

Section II - Financial Statement Findings

FINDING 2016-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2015-001 from the immediately prior audit.

Condition

There were deficiencies in the internal control system of the City related to financial transactions and reporting. The City had not designed and implemented proper segregation of duties related to receipts, disbursements, and cash and investment balances.

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

Employees responsible for issuing receipts and checks were also responsible for depositing receipts, recording transactions in the financial accounting system, and reconciling the funds ledger to the depository balance. There was no documentation of a control process in place to prevent, or detect and correct, errors.

Context

The lack of controls was a systemic issue throughout the audit period.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, Uniform Internal Control Standards for Indiana Political Subdivisions. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Cause

Management of the City has not established a proper system of internal control that segregated key functions.

Effect

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

Recommendation

We recommended that the City establish a system of internal controls related to financial transactions and reporting.

Views of Responsible Officials

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

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

FINDING 2016-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat of Finding 2015-002 from the immediately prior audit.

Condition

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The City had not established effective internal controls over the federal information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the City's SEFA. One employee prepared the federal award information entered into Gateway. The Clerk-Treasurer reviewed this information prior to submitting the Annual Financial Report; however, this control was not effective.

Context

The SEFA contained the following errors:

1. The Clean Water State Revolving Fund Cluster was understated by \$1,860,768.
2. The Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii was understated by \$152,817.
3. The Highway Planning and Construction Cluster was overstated by \$9,807.
4. The Airport Improvement Program was overstated by \$6,259.

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

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

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

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

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

Effect

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

Recommendation

We recommended that the City's management establish controls related to the preparation of the SEFA.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-003

Subject: Clean Water State Revolving Fund Cluster - Reporting
Federal Agency: Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Federal Award Number and Year (or Other Identifying Number): WW 140140 01
Pass-Through Entity: Indiana Finance Authority
Compliance Requirement: Reporting
Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The MBE/WBE Report was prepared and submitted by one person. There was no control in place, such as an oversight, review, or approval process, to ensure the report was accurate.

Context

The lack of controls was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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

Cause

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

Effect

The failure to establish an effective internal control system placed the City at risk of noncompliance with the grant agreement and the Reporting compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish controls related to the grant agreement and the Reporting compliance requirement.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the City. The documents are presented as intended by the City.



**CITY OF NORTH VERNON
CARNEGIE GOVERNMENT CENTER
143 EAST WALNUT STREET
NORTH VERNON, IN 47265**



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-001


Fiscal year in which the finding initially occurred: **2015**
 Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: **N/A**
 Contact Person Responsible for Corrective Action: **Shawn Gerkin, Clerk-Treasurer**
 Contact Phone Number: **(812) 346-5907**

Status of Audit Finding: The Clerk's Treasurer's office continues to look for ways to implement internal controls and segregate duties, when possible. This includes disbursement claims being signed by the clerk treasurer, while checks are then ran by a second employee, followed by council signing off on the docket and department heads reviewing "chart of accounts" for accuracy. This policy of reviewing the "chart of accounts" also helps with the accuracy of receipts when compared to the "report of collections" completed by department heads. The office also makes sure that needed bank transfers are done by someone other than who wrote the daily receipts. Bank reconciliation is reviewed by both the deputy clerk treasurer and clerk treasurer both as well.

FINDING 2015-002

Fiscal year in which the finding initially occurred: **2015**
 Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: **N/A**
 Contact Person Responsible for Corrective Action: **Shawn Gerkin, Clerk-Treasurer**
 Contact Phone Number: **(812) 346-5907**

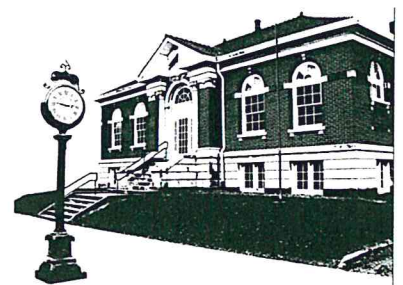
Status of Audit Finding: Grants obtained through INDOT have pay applications prepared and approved by engineering firms, the claims are prepared by the clerk treasurer, and payments and distribution of funds is tracked by the deputy clerk treasurer. SEFA reports are entered on gateway by the deputy clerk treasurer and then reviewed and submitted by the clerk treasurer.



 Signature & Title

10/31/18

 Date





**CITY OF NORTH VERNON
CARNEGIE GOVERNMENT CENTER
143 EAST WALNUT STREET
NORTH VERNON, IN 47265**



CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: R Shawn Gerkin
Contact Phone Number: 812-346-5907

Views of Responsible Official: We concur with the finding with comments.

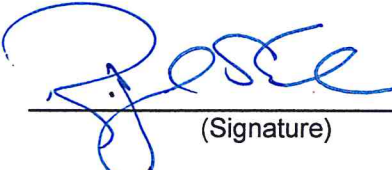
Description of Corrective Action Plan: The office will implement strategies to have one employee take in money and write and enter receipts while a different employee will write up deposit tickets for those receipts and take money to the bank. Two employees will then review and verify bank reconciliation.

Disbursements will have one employee prepare claims and a different employee run checks. Dockets will be reviewed by both the clerk treasurer and the city council. The clerk treasurer's office will also implement a strategy to have department heads review and sign off on disbursements from within their accounts on a monthly basis.

The clerk's office will also begin looking in to updated software for payroll and disbursements to replace the antiquated system it currently has in place that would not allow disbursements to be backdated or the wrong date entered.

While we will continue to monitor areas where there are deficiencies in segregation of duties as well as look for new ways to improve, we also recognize that a shortage of staff will not allow us to allows have segregation of duties in place at all times.

Anticipated Completion Date: January 1, 2019



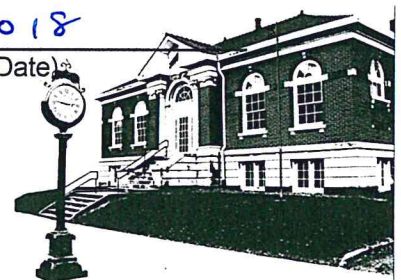
(Signature)

CLERK TREASURER

(Title)

NOV 13, 2018

(Date)



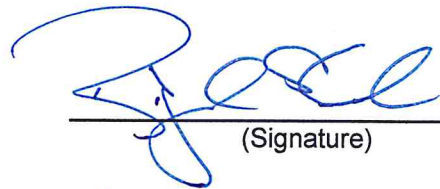
FINDING 2016-002

Contact Person Responsible for Corrective Action: R Shawn Gerkin
Contact Phone Number: 812-346-5907

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Preparation of the SEFA (Schedule of Expenditures of Federal Awards) will now be completed and entered on Gateway by the Deputy Clerk Treasurer and the Clerk Treasurer will review for accuracy before submitting.

Anticipated Completion Date: January 1, 2019



(Signature)

CLERK TREASURER

(Title)

NOV 13, 2018

(Date)

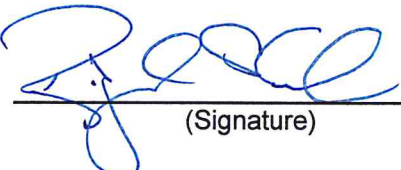
FINDING 2016-003

Contact Person Responsible for Corrective Action: R Shawn Gerkin
Contact Phone Number: 812-346-5907

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Beginning in January of 2017, utility superintendent Russell Vaught prepares and has the mayor review and sign off on the MBE/WBE Report.

Anticipated Completion Date: Immediate



(Signature)

CLERK - TREASURER

(Title)

Nov 13, 2018

(Date)

OTHER REPORTS

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