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

Paul D. Joyce, CPA
State Examiner

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF NORTH VERNON

JENNINGS COUNTY, INDIANA

January 1, 2024 to December 31, 2025

FILED
05/14/2026

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SCHEDULE OF OFFICIALS

Office	Official	Term
Clerk-Treasurer	Charles Weber	01-01-24 to 12-31-26
Mayor	R. Shawn Gerkin	01-01-24 to 12-31-26
President of the Board of Public Works and Safety	R. Shawn Gerkin	01-01-24 to 12-31-26
President Pro Tempore of the Common Council	Baron Wilder	01-01-24 to 12-31-24
	Jack Kelley	01-01-25 to 12-31-26
Utility Office Manager	Cara Byerley	01-01-24 to 12-31-26

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Paul D. Joyce, CPA
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TO: THE OFFICIALS OF THE CITY OF NORTH VERNON, JENNINGS COUNTY, INDIANA

This report is supplemental to the audit report of the City of North Vernon (City), for the period from January 1, 2024 to December 31, 2025. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with the Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley

Beth Kelley, CPA, CFE
Deputy State Examiner

April 16, 2026

CLERK-TREASURER
CITY OF NORTH VERNON

INTERNAL CONTROLS - COMPLIANCE

Condition and Context

Deficiencies in internal controls resulted in noncompliance with applicable laws and regulations related to the following items:

- Annual Financial Report - Grant Schedule
- Annual Financial Report - Leases and Debt Schedule
- Internal Control Standards - Training
- Internal Control Standards - Certification

Internal controls were not designed or implemented to ensure compliance with applicable laws and regulations. The noncompliance that occurred as a result of these internal control deficiencies is described in the corresponding comments within this report.

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. . . ."

ANNUAL FINANCIAL REPORT - GRANT SCHEDULE

A similar comment also appeared in prior Report 78803S, entitled *ANNUAL FINANCIAL REPORT*.

Condition and Context

Federal awards received are required to be submitted within the grant schedule in the Annual Financial Report (AFR). However, the following errors were noted on the AFRs submitted:

- The Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii program was omitted from the grant schedule. As a result, program expenditures were understated by $12,562 in 2024 and by $138,155 in 2025.

- The Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs was omitted from the grant schedule. As a result, program expenditures were understated by $153,700 in 2024 and by $630,399 in 2025.

- The Highway Planning and Construction program was omitted from the grant schedule. As a result, program expenditures were understated by $109,580 in 2025.

- The State and Community Highway Safety program was omitted from the grant schedule. As a result, program expenditures were understated by $10,565 in 2024 and by $13,968 in 2025.

- The Minimum Penalties for Repeat Offenders for Driving While Intoxicated program was omitted from the grant schedule. As a result, program expenditures were understated by $998 in 2024 and by $1,928 in 2025.

- The COVID-19 - Coronavirus State and Local Fiscal Recovery Funds program was omitted from the grant schedule. As a result, program expenditures were understated by $1,483,651 in 2024.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

ANNUAL FINANCIAL REPORT - LEASES AND DEBT SCHEDULE

A similar comment also appeared in prior Report 78803S, entitled *ANNUAL FINANCIAL REPORT.*

Condition and Context

The City's lease and debt obligations are required to be submitted within the Schedule of Leases and Debt within the Annual Financial Report (AFR). However, the following errors and omissions were noted during review of the 2025 AFR:

- The City's lease with the North Vernon Building Corporation was incorrectly reported as a debt. This error resulted in annual lease payments to be understated by $491,500 and the debt schedule's ending principal balance and principal due within one year being overstated by $5,070,000 and $290,000, respectively.

- The City's lease with the North Vernon Redevelopment Authority was omitted from the lease schedule. This error resulted in annual lease payments being understated by $537,500.

- The City overstated the ending principal balance for the Guaranteed Savings Bond of 2017 by $54,591 and overstated the principal due within one year by $54,682.

- The City understated the principal due within one year for the Water Revenue Bonds 2010 by $2,000.

- The City understated the ending principal balance for the 2018 Sewer Revenue Bonds by $109,000 and overstated the principal due within one year by $1,000.

- The City understated the ending principal balance for the 2011 Water Distribution Project by $26,000.

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

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

INTERNAL CONTROL STANDARDS - TRAINING

Condition and Context

The City did not ensure that all employees were trained on the internal control standards as required by its policy. The Clerk-Treasurer had not completed the internal controls training since being elected and was unaware if other employees were completing internal controls training.

Criteria

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

(1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and

(2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

INTERNAL CONTROL STANDARDS - CERTIFICATION

Condition and Context

The City certified on the Indiana Gateway for Government Units financial reporting system that employees were trained on internal control standards. However, the Clerk-Treasurer had not done the training on internal control standards and was unaware if other employees had done the training.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

CLERK-TREASURER
CITY OF NORTH VERNON
EXIT CONFERENCE

The contents of this report were discussed on April 16, 2026, with Charles Weber, Clerk-Treasurer; R. Shawn Gerkin, Mayor; and Jack Kelley, President Pro Tempore of the Common Council.