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

ANNUAL FINANCIAL REPORT

2006

CITY OF NEW CASTLE

HENRY COUNTY, INDIANA



**FILED**  
09/26/2007



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janice L. Lavarney	01-01-04 to 12-31-07
Mayor	Thomas Nipp	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Brad A. Crowe	01-01-06 to 12-31-07
President of the Common Council	Richard Hahn	01-01-06 to 12-31-07
City Accountant	Emily Cupp	01-01-06 to 12-31-07
Superintendent of Water Utility	Kenneth Stockton	01-01-06 to 12-31-07
Superintendent of Wastewater Utility	Patricia Humphries-Cox	01-01-06 to 12-31-07
Utility Office Manager	Carl Surber	01-01-06 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE CITY OF NEW CASTLE, HENRY COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Castle (City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2006, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated August 21, 2007, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

The Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 21, 2007



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF NEW CASTLE, HENRY COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Castle (City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 21, 2007. 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 opinions on the financial statements, 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.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements 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.

This report is intended solely for the information and use of the City's management, and 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.

August 21, 2007

STATE BOARD OF ACCOUNTS

CITY OF NEW CASTLE  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2006

Functions/Programs	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Totals
Primary government:						
Governmental activities:						
General government	\$ 5,662,386	\$ 851,748	\$ 234,605	\$ (4,576,033)	\$ -	\$ (4,576,033)
Public safety	4,537,342	1,242,411	5,936	(3,288,995)	-	(3,288,995)
Highways and streets	2,220,327	25,542	940,514	(1,254,271)	-	(1,254,271)
Health and welfare	78,496	-	-	(78,496)	-	(78,496)
Economic development	570,735	-	217,136	(353,599)	-	(353,599)
Culture and recreation	253,004	31,959	-	(221,045)	-	(221,045)
Retirement and pensions	625,133	-	-	(625,133)	-	(625,133)
Interest on long-term debt	30,508	-	-	(30,508)	-	(30,508)
Total governmental activities	<u>13,977,931</u>	<u>2,151,660</u>	<u>1,398,191</u>	<u>(10,428,080)</u>	<u>-</u>	<u>(10,428,080)</u>
Business-type activities:						
Water	2,468,416	2,083,130	-	-	(385,286)	(385,286)
Wastewater	4,508,071	4,726,390	-	-	218,319	218,319
Total business-type activities	<u>6,976,487</u>	<u>6,809,520</u>	<u>-</u>	<u>-</u>	<u>(166,967)</u>	<u>(166,967)</u>
Total primary government	<u>\$ 20,954,418</u>	<u>\$ 8,961,180</u>	<u>\$ 1,398,191</u>	<u>(10,428,080)</u>	<u>(166,967)</u>	<u>(10,595,047)</u>
General receipts:						
Property taxes				6,887,723	-	6,887,723
Other local sources				3,296,896	-	3,296,896
Bonds and loans				1,937,994	2,110,125	4,048,119
Grants and contributions not restricted to specific programs				29,555	-	29,555
Unrestricted investment earnings				171,730	41,266	212,996
Total general receipts				<u>12,323,898</u>	<u>2,151,391</u>	<u>14,475,289</u>
Change in net assets				1,895,818	1,984,424	3,880,242
Net assets - beginning				<u>4,799,278</u>	<u>1,097,168</u>	<u>5,896,446</u>
Net assets - ending				<u>\$ 6,695,096</u>	<u>\$ 3,081,592</u>	<u>\$ 9,776,688</u>
<u>Assets</u>						
Cash and investments				\$ 2,467,479	\$ 293,296	\$ 2,760,775
Restricted assets:						
Cash and investments				<u>4,227,617</u>	<u>2,788,296</u>	<u>\$ 7,015,913</u>
Total assets				<u>\$ 6,695,096</u>	<u>\$ 3,081,592</u>	<u>\$ 9,776,688</u>
<u>Net Assets</u>						
Restricted for:						
Culture and recreation				\$ 1,996,862	\$ -	\$ 1,996,862
Debt service				43,874	1,125,479	1,169,353
Other purposes				2,186,881	1,662,817	3,849,698
Unrestricted				<u>2,467,479</u>	<u>293,296</u>	<u>2,760,775</u>
Total net assets				<u>\$ 6,695,096</u>	<u>\$ 3,081,592</u>	<u>\$ 9,776,688</u>

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

CITY OF NEW CASTLE  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006

	General	Southeast Downtown Tax Increment Financing	Park Pool Bond	Other Governmental Funds	Totals
<b>Receipts:</b>					
Taxes	\$ 5,468,458	\$ 1,247,667	\$ -	\$ 171,598	\$ 6,887,723
Licenses and permits	125,600	-	-	3,950	129,550
Intergovernmental	2,965,402	-	-	1,416,853	4,382,255
Charges for services	1,569,752	-	-	401,617	1,971,369
Fines and forfeits	48,029	-	-	2,712	50,741
Other	366,186	34,645	25,437	87,849	514,117
<b>Total receipts</b>	<b>10,543,427</b>	<b>1,282,312</b>	<b>25,437</b>	<b>2,084,579</b>	<b>13,935,755</b>
<b>Disbursements:</b>					
General government	5,381,370	-	-	64,448	5,445,818
Public safety	4,257,565	-	-	244,140	4,501,705
Highways and streets	935,428	-	-	1,284,899	2,220,327
Health and welfare	78,496	-	-	-	78,496
Culture and recreation	190,548	-	-	62,456	253,004
Urban redevelopment and housing	75,000	202,336	-	293,399	570,735
Retirement and pensions	625,133	-	-	-	625,133
Debt service:					
Principal	1,250,000	-	-	373,006	1,623,006
Interest	5,156	-	-	25,352	30,508
Capital outlay:					
General government	-	-	-	164,723	164,723
Public safety	-	-	-	35,637	35,637
<b>Total disbursements</b>	<b>12,798,696</b>	<b>202,336</b>	<b>-</b>	<b>2,548,060</b>	<b>15,549,092</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(2,255,269)</b>	<b>1,079,976</b>	<b>25,437</b>	<b>(463,481)</b>	<b>(1,613,337)</b>
<b>Other financing sources (uses):</b>					
Bond proceeds	-	-	1,911,000	-	1,911,000
Transfers in	-	-	-	47,192	47,192
Transfers out	-	-	-	(47,192)	(47,192)
Other receipts (temporary loans)	1,250,000	-	-	400,000	1,650,000
<b>Total other financing sources (uses)</b>	<b>1,250,000</b>	<b>-</b>	<b>1,911,000</b>	<b>400,000</b>	<b>3,561,000</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>(1,005,269)</b>	<b>1,079,976</b>	<b>1,936,437</b>	<b>(63,481)</b>	<b>1,947,663</b>
<b>Cash and investment fund balance - beginning</b>	<b>2,840,322</b>	<b>158,980</b>	<b>-</b>	<b>1,736,663</b>	<b>4,735,965</b>
<b>Cash and investment fund balance - ending</b>	<b>\$ 1,835,053</b>	<b>\$ 1,238,956</b>	<b>\$ 1,936,437</b>	<b>\$ 1,673,182</b>	<b>6,683,628</b>
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:					
Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.					
					<u>11,468</u>
<b>Net assets of governmental activities</b>					<b>\$ 6,695,096</b>
<b><u>Cash and Investment Assets - December 31</u></b>					
Cash and investments	\$ 1,835,053	\$ -	\$ -	\$ 632,426	\$ 2,467,479
Restricted assets:					
Cash and investments	-	1,238,956	1,936,437	1,040,756	4,216,149
<b>Total cash and investment assets - December 31</b>	<b>\$ 1,835,053</b>	<b>\$ 1,238,956</b>	<b>\$ 1,936,437</b>	<b>\$ 1,673,182</b>	<b>\$ 6,683,628</b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>					
Restricted for:					
Culture and recreation	\$ -	\$ -	\$ 1,936,437	\$ 60,425	\$ 1,996,862
Debt service	-	-	-	43,874	43,874
Other purposes	-	1,238,956	-	936,457	2,175,413
Unrestricted	1,835,053	-	-	632,426	2,467,479
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 1,835,053</b>	<b>\$ 1,238,956</b>	<b>\$ 1,936,437</b>	<b>\$ 1,673,182</b>	<b>\$ 6,683,628</b>

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

CITY OF NEW CASTLE  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
As of and for the Year Ended December 31, 2006

	Water Utility	Wastewater Utility	Totals	Internal Service Funds
Operating receipts:				
Measured revenue	\$ 1,795,545	\$ 4,647,278	\$ 6,442,823	\$ -
Fire protection receipts	242,978	-	242,978	-
Penalties	14,057	79,112	93,169	-
Other	30,550	-	30,550	4,657,834
<b>Total operating receipts</b>	<b>2,083,130</b>	<b>4,726,390</b>	<b>6,809,520</b>	<b>4,657,834</b>
Operating disbursements:				
Cost of sales and services	791,316	1,785,552	2,576,868	-
Equipment and capital improvements	381,313	1,248,892	1,630,205	-
Other	25,880	-	25,880	-
Salaries and wages	711,901	748,219	1,460,120	-
Employee pensions and benefits	531,116	542,023	1,073,139	-
Insurance disbursements	-	-	-	4,709,679
<b>Total operating disbursements</b>	<b>2,441,526</b>	<b>4,324,686</b>	<b>6,766,212</b>	<b>4,709,679</b>
Excess (deficiency) of operating receipts over operating disbursements	<u>(358,396)</u>	<u>401,704</u>	<u>43,308</u>	<u>(51,845)</u>
Nonoperating receipts (disbursements):				
Bond proceeds	833,625	1,969,500	2,803,125	-
Interest and investment receipts	1,247	40,019	41,266	-
Miscellaneous receipts	197,527	197,527	395,054	-
Debt service of principal	(415,000)	(278,000)	(693,000)	-
Interest and investment disbursement	(26,890)	(183,385)	(210,275)	-
Miscellaneous disbursements	(197,527)	(197,527)	(395,054)	-
<b>Total nonoperating receipts</b>	<b>392,982</b>	<b>1,548,134</b>	<b>1,941,116</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	34,586	1,949,838	1,984,424	(51,845)
Cash and investment fund balance - beginning	<u>275,585</u>	<u>821,583</u>	<u>1,097,168</u>	<u>63,313</u>
Cash and investment fund balance - ending	<u>\$ 310,171</u>	<u>\$ 2,771,421</u>	<u>\$ 3,081,592</u>	<u>\$ 11,468</u>
<b><u>Cash and Investment Assets - December 31</u></b>				
Cash and investments	\$ 4,528	\$ 288,768	\$ 293,296	\$ -
Restricted assets:				
Cash and investments	<u>305,643</u>	<u>2,482,653</u>	<u>2,788,296</u>	<u>11,468</u>
<b>Total cash and investment assets - December 31</b>	<b><u>\$ 310,171</u></b>	<b><u>\$ 2,771,421</u></b>	<b><u>\$ 3,081,592</u></b>	<b><u>\$ 11,468</u></b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>				
Restricted for:				
Debt service	\$ 85,500	\$ 1,039,979	\$ 1,125,479	\$ -
Other purposes	220,143	1,442,674	1,662,817	11,468
Unrestricted	<u>4,528</u>	<u>288,768</u>	<u>293,296</u>	<u>-</u>
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 310,171</u></b>	<b><u>\$ 2,771,421</u></b>	<b><u>\$ 3,081,592</u></b>	<b><u>\$ 11,468</u></b>

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

CITY OF NEW CASTLE  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2006

	<u>Pension Trust Funds</u>	<u>Private-Purpose Fund</u>	<u>Agency Funds</u>
Additions:			
Contributions:			
Employer	\$ 953,226	\$ -	\$ -
Plan members	4,549	-	-
State	38,210	-	-
Other	<u>46,522</u>	-	-
Total contributions	<u>1,042,507</u>	-	-
Investment earnings:			
Interest	-	<u>17</u>	-
Agency fund additions	-	-	<u>8,818,631</u>
Total additions	<u>1,042,507</u>	<u>17</u>	<u>8,818,631</u>
Deductions:			
Benefits	1,397,865	-	-
Administrative and general	4,850	-	-
Other	46,513	37	-
Agency fund deductions	-	-	<u>8,795,112</u>
Total deductions	<u>1,449,228</u>	<u>37</u>	<u>8,795,112</u>
Excess (deficiency) of total additions over total deductions	(406,721)	(20)	23,519
Cash and investment fund balance - beginning	<u>1,221,879</u>	<u>4,320</u>	<u>86,787</u>
Cash and investment fund balance - ending	<u>\$ 815,158</u>	<u>\$ 4,300</u>	<u>\$ 110,306</u>

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

CITY OF NEW CASTLE  
NOTES TO FINANCIAL STATEMENTS

I. 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 the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, economic development, planning and zoning, cemetery, general administrative services, water, wastewater, storm water, and urban redevelopment and housing.

The City's financial reporting entity is composed of the following:

Primary Government: City of New Castle

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Related Organizations

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The southeast downtown tax increment financing fund accounts for increment tax monies received and expended related to urban redevelopment and housing in a specific area.

CITY OF NEW CASTLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The park pool bond fund accounts for bond proceeds and donations received related to the construction of the New Castle Baker Park swimming pool.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations and collection systems. Storm water receipts and disbursements are also accounted for through this utility.

Additionally, the City reports the following fund types:

The internal service fund accounts for health insurance benefits provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the 1925 police and 1937 fire pension funds, which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the cemetery.

Agency funds account for assets held by the City as an agent for payroll and payroll withholding and serve as control of accounts for certain cash transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, 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 cash and investment 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. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF NEW CASTLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governmental activity funds and business type funds that were generated from services provided or used. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF NEW CASTLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

CITY OF NEW CASTLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Primary government activity and balances – Resource flows between the primary government are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

Deposits and Investments

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2006, the City had investments in Certificates of Deposit with a six-month maturity.

Investment Policies

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored

CITY OF NEW CASTLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments. At December 31, 2006, the City held investments in certificates of deposit in the amount of \$2,337,040.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

CITY OF NEW CASTLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Foreign Currency Risk

The City does not have a formal policy in regards to foreign currency risk.

IV. Other Information

A. Risk Management

The City is 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 (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees, and Dependents

The City has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents. The risk financing fund is accounted for in the Cumulative Insurance Recovery Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$100,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims and administrative costs of the program. Interfund premiums are based upon the insurance coverage selected by employees paid from each fund, and are reported as quasi-external interfund transactions.

Job Related Illnesses or Injuries to Employees

During 1992, the City joined with other governmental entities in the Indiana Public Employees' Plan, a public entity risk pool currently operating as a common risk management and insurance program for 350 member governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The City pays an annual premium to the risk pool for its job related illnesses or injuries to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Subsequent Events

The City issued tax anticipation warrants on April 9, 2007, in the amount of \$500,000, an additional \$500,000 on May 3, 2007, and \$600,000 in July of 2007. These tax anticipation warrants are due by December 31, 2007.

CITY OF NEW CASTLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Postemployment Benefits

In addition to the pension benefits described below, the City provides postemployment health and life insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the City on or after attaining age 65 with at least 10 years of service (or age 60 with at least 15 years of service). Currently, 169 retirees meet these eligibility requirements. The City and retirees provide 95% and 5%, respectively, of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2006, disbursements of \$1,284,365 were recognized for postemployment benefits.

D. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on December 19, 2005.

The Utility was granted approval by the Indiana Utility Regulatory Commission to increase rates. The increase became effective November 5, 2006, and amounted to approximately a 30% increase to all customers.

Wastewater and Storm Water Utilities

The current rate structure was approved by the City Council on December 19, 2005, for the Wastewater Utility and the Storm Water Utility.

E. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

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

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

CITY OF NEW CASTLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which 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 and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

c. 1937 Firefighters' Pension Plan

Plan Description

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

CITY OF NEW CASTLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Annual required contribution	\$ 207,653	\$ 1,300,600	\$ 1,038,900
Interest on net pension obligation	(20,331)	251,900	175,300
Adjustment to annual required contribution	<u>23,168</u>	<u>(420,300)</u>	<u>(306,300)</u>
Annual pension cost	210,490	1,132,200	907,900
Contributions made	<u>203,270</u>	<u>1,133,854</u>	<u>427,293</u>
Increase (decrease) in net pension obligation	7,220	(1,654)	480,607
Net pension obligation, beginning of year	<u>(280,422)</u>	<u>3,731,863</u>	<u>2,597,326</u>
Net pension obligation, end of year	<u>\$ (273,202)</u>	<u>\$ 3,730,209</u>	<u>\$ 3,077,933</u>

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	5.25%	1,777%	948%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-06	01-01-04	01-01-05
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected Payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

CITY OF NEW CASTLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Assumptions	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75/4%*	2.75/4%*

\*2.75% converted members; 4% nonconverted members

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 144,391	142%	\$ (236,917)
	06-30-05	164,042	127%	(280,422)
	06-30-06	210,490	124%	(273,202)
1925 Police Officers' Pension Plan	12-31-01	1,115,000	79%	3,138,263
	12-31-02	1,086,900	45%	3,731,863
	12-31-03	1,132,200	100%	3,730,209
1937 Firefighters' Pension Plan	12-31-02	768,200	43%	2,545,489
	12-31-03	869,200	94%	2,597,326
	12-31-04	907,900	47%	3,077,933

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2006, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retires and beneficiaries currently receiving benefits	39	26
Terminated employees entitled to but not yet receiving benefits	1	-
Current active employees	1	-

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

CITY OF NEW CASTLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

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

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2006, 2005, and 2004, were \$511,087, \$499,257, and \$507,733, respectively, equal to the required contributions for each year.

CITY OF NEW CASTLE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 3,584,895	\$ 3,634,334	\$ (49,439)	99%	\$ 3,444,802	(1%)
07-01-05	3,748,709	4,118,683	(369,974)	91%	3,756,911	(10%)
07-01-06	3,818,254	4,460,814	(642,560)	86%	4,082,029	(16%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-99	\$ 199,896	\$ 11,287,600	\$ (11,087,704)	2%	\$ 134,400	(8,250%)
01-01-00	651,767	11,769,700	(11,117,933)	6%	142,500	(7,802%)
01-01-01	586,546	11,833,900	(11,247,354)	5%	119,300	(9,428%)
01-01-02	758,881	11,464,000	(10,705,119)	7%	64,300	(16,649%)
01-01-03	492,945	10,627,700	(10,134,755)	5%	171,600	(5,906%)
01-01-04	771,399	12,069,200	(11,297,801)	6%	73,200	(15,434%)

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-00	\$ 312,035	\$ 8,148,600	\$ (7,836,565)	4%	\$ 114,500	(6,844%)
01-01-01	432,730	8,186,100	(7,753,370)	5%	119,900	(6,467%)
01-01-02	514,250	7,980,900	(7,466,650)	6%	96,700	(7,721%)
01-01-03	336,389	8,763,100	(8,426,711)	4%	137,300	(6,137%)
01-01-04	649,378	8,876,300	(8,226,922)	7%	109,800	(7,493%)
01-01-05	561,876	8,150,800	(7,588,924)	7%	109,600	(6,924%)

CITY OF NEW CASTLE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF CONTRIBUTIONS FROM THE  
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

<u>1925 Police Officers' and 1937 Firefighters' Pension Plans</u>				
	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
			City	State
1925 Police Officers' Pension Plan	12-31-96	\$ 960,900	0%	0%
	12-31-97	1,133,500	*	*
	12-31-98	1,194,700	50%	0%
	12-31-99	1,100,700	60%	0%
	12-31-00	1,182,300	55%	0%
	12-31-01	1,221,000	72%	0%
	12-31-02	1,214,400	35%	6%
	12-31-03	1,300,600	84%	3%
1937 Firefighters' Pension Plan	12-31-96	747,200	0%	0%
	12-31-97	913,600	*	*
	12-31-98	958,100	51%	0%
	12-31-99	770,000	51%	0%
	12-31-00	819,200	57%	0%
	12-31-01	850,700	103%	0%
	12-31-02	853,800	30%	8%
	12-31-03	984,100	79%	4%
12-31-04	1,038,900	39%	2%	

\*Information not available

CITY OF NEW CASTLE  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006

	Motor Vehicle Highway	Local Road and Street	Aviation Nonreverting	Police Canine Donation	Police Assistance	Transportation	Law Enforcement Continuing Education
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121,402	\$ -
Licenses and permits	-	-	-	-	-	-	3,950
Intergovernmental	651,020	267,298	-	-	-	206,577	-
Charges for services	-	-	-	-	-	14,022	10,582
Fines and forfeits	-	-	-	-	-	-	-
Other	484	1,265	-	51	4,617	1,657	1,271
<b>Total receipts</b>	<b>651,504</b>	<b>268,563</b>	<b>-</b>	<b>51</b>	<b>4,617</b>	<b>343,658</b>	<b>15,803</b>
Disbursements:							
General government	-	-	21,977	-	-	-	-
Public safety	-	-	-	-	4,568	-	17,028
Highways and streets	654,632	229,448	-	-	-	400,819	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>654,632</b>	<b>229,448</b>	<b>21,977</b>	<b>-</b>	<b>4,568</b>	<b>400,819</b>	<b>17,028</b>
Excess (deficiency) of receipts over disbursements	(3,128)	39,115	(21,977)	51	49	(57,161)	(1,225)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,128)	39,115	(21,977)	51	49	(57,161)	(1,225)
Cash and investment fund balance - beginning	151,553	104,257	45,892	318	1,421	150,834	31,420
Cash and investment fund balance - ending	<u>\$ 148,425</u>	<u>\$ 143,372</u>	<u>\$ 23,915</u>	<u>\$ 369</u>	<u>\$ 1,470</u>	<u>\$ 93,673</u>	<u>\$ 30,195</u>
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ -	\$ -	\$ 23,915	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	148,425	143,372	-	369	1,470	93,673	30,195
<b>Total cash and investment assets - December 31</b>	<b>\$ 148,425</b>	<b>\$ 143,372</b>	<b>\$ 23,915</b>	<b>\$ 369</b>	<b>\$ 1,470</b>	<b>\$ 93,673</b>	<b>\$ 30,195</b>
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	-	-
Other purposes	148,425	143,372	-	369	1,470	93,673	30,195
Unrestricted	-	-	23,915	-	-	-	-
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 148,425</b>	<b>\$ 143,372</b>	<b>\$ 23,915</b>	<b>\$ 369</b>	<b>\$ 1,470</b>	<b>\$ 93,673</b>	<b>\$ 30,195</b>

CITY OF NEW CASTLE  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	First Aid Donation	Mayor Donation	Community Center	Fire Department Assistance	Fire Donation	Cemetery Perpetual Maintenance
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	47,312
Fines and forfeits	-	-	-	-	-	-
Other	641	3,021	15,778	12	1,500	-
<b>Total receipts</b>	<b>641</b>	<b>3,021</b>	<b>15,778</b>	<b>12</b>	<b>1,500</b>	<b>47,312</b>
<b>Disbursements:</b>						
General government	-	3,838	-	-	-	38,504
Public safety	-	-	-	-	470	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	20,538	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>3,838</b>	<b>20,538</b>	<b>-</b>	<b>470</b>	<b>38,504</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>641</b>	<b>(817)</b>	<b>(4,760)</b>	<b>12</b>	<b>1,030</b>	<b>8,808</b>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>641</b>	<b>(817)</b>	<b>(4,760)</b>	<b>12</b>	<b>1,030</b>	<b>8,808</b>
Cash and investment fund balance - beginning	200	930	36,824	621	1,487	212,725
Cash and investment fund balance - ending	<u>\$ 841</u>	<u>\$ 113</u>	<u>\$ 32,064</u>	<u>\$ 633</u>	<u>\$ 2,517</u>	<u>\$ 221,533</u>
<b><u>Cash and Investment Assets - December 31</u></b>						
Cash and investments	\$ -	\$ 113	\$ -	\$ -	\$ -	\$ 221,533
Restricted assets:						
Cash and investments	841	-	32,064	633	2,517	-
<b>Total cash and investment assets - December 31</b>	<u>\$ 841</u>	<u>\$ 113</u>	<u>\$ 32,064</u>	<u>\$ 633</u>	<u>\$ 2,517</u>	<u>\$ 221,533</u>
<b><u>Cash and Investment Fund Balance - December 31</u></b>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ 32,064	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	-
Other purposes	841	-	-	633	2,517	-
Unrestricted	-	113	-	-	-	221,533
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 841</u>	<u>\$ 113</u>	<u>\$ 32,064</u>	<u>\$ 633</u>	<u>\$ 2,517</u>	<u>\$ 221,533</u>

CITY OF NEW CASTLE  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Cemetery Nonreverting	Drug Abuse Law Enforcement	Demolition	Operation Pullover	New Castle Baker Pool Nonreverting	Park Nonreverting
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	5,936	-	-
Charges for services	-	38,697	-	-	-	31,959
Fines and forfeits	-	-	-	-	-	-
Other	750	-	-	-	12,438	-
<b>Total receipts</b>	<b>750</b>	<b>38,697</b>	<b>-</b>	<b>5,936</b>	<b>12,438</b>	<b>31,959</b>
<b>Disbursements:</b>						
General government	129	-	-	-	-	-
Public safety	-	39,725	30,062	5,936	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	1,327	40,591
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
<b>Total disbursements</b>	<b>129</b>	<b>39,725</b>	<b>30,062</b>	<b>5,936</b>	<b>1,327</b>	<b>40,591</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>621</b>	<b>(1,028)</b>	<b>(30,062)</b>	<b>-</b>	<b>11,111</b>	<b>(8,632)</b>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>621</b>	<b>(1,028)</b>	<b>(30,062)</b>	<b>-</b>	<b>11,111</b>	<b>(8,632)</b>
Cash and investment fund balance - beginning	21,500	17,034	70,648	111	-	25,882
<b>Cash and investment fund balance - ending</b>	<b>\$ 22,121</b>	<b>\$ 16,006</b>	<b>\$ 40,586</b>	<b>\$ 111</b>	<b>\$ 11,111</b>	<b>\$ 17,250</b>
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ 22,121	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	16,006	40,586	111	11,111	17,250
<b>Total cash and investment assets - December 31</b>	<b>\$ 22,121</b>	<b>\$ 16,006</b>	<b>\$ 40,586</b>	<b>\$ 111</b>	<b>\$ 11,111</b>	<b>\$ 17,250</b>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ 11,111	\$ 17,250
Debt service	-	-	-	-	-	-
Other purposes	-	16,006	40,586	111	-	-
Unrestricted	22,121	-	-	-	-	-
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 22,121</b>	<b>\$ 16,006</b>	<b>\$ 40,586</b>	<b>\$ 111</b>	<b>\$ 11,111</b>	<b>\$ 17,250</b>

CITY OF NEW CASTLE  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	First Aid Recovery	Fire Donation Shop with Firemen	Riverboat	Fire Federal Grant	Downtown Revitalization	Mausoleum Nonreverting
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	800	-	-	-
Charges for services	153,343	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	6,257	-	-	-	15
<b>Total receipts</b>	<b>153,343</b>	<b>6,257</b>	<b>800</b>	<b>-</b>	<b>-</b>	<b>15</b>
<b>Disbursements:</b>						
General government	-	-	-	-	-	-
Public safety	110,738	7,038	-	1,703	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	1,733	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	41,730	-	-	-
Public safety	-	-	-	-	-	-
<b>Total disbursements</b>	<b>110,738</b>	<b>7,038</b>	<b>41,730</b>	<b>1,703</b>	<b>1,733</b>	<b>-</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>42,605</b>	<b>(781)</b>	<b>(40,930)</b>	<b>(1,703)</b>	<b>(1,733)</b>	<b>15</b>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>42,605</b>	<b>(781)</b>	<b>(40,930)</b>	<b>(1,703)</b>	<b>(1,733)</b>	<b>15</b>
Cash and investment fund balance - beginning	58,875	881	64,908	1,703	15,647	195
Cash and investment fund balance - ending	<u>\$ 101,480</u>	<u>\$ 100</u>	<u>\$ 23,978</u>	<u>\$ -</u>	<u>\$ 13,914</u>	<u>\$ 210</u>
<b><u>Cash and Investment Assets - December 31</u></b>						
Cash and investments	\$ -	\$ -	\$ 23,978	\$ -	\$ -	\$ 210
Restricted assets:						
Cash and investments	101,480	100	-	-	13,914	-
<b>Total cash and investment assets - December 31</b>	<b>\$ 101,480</b>	<b>\$ 100</b>	<b>\$ 23,978</b>	<b>\$ -</b>	<b>\$ 13,914</b>	<b>\$ 210</b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	-
Other purposes	101,480	100	-	-	13,914	-
Unrestricted	-	-	23,978	-	-	210
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 101,480</b>	<b>\$ 100</b>	<b>\$ 23,978</b>	<b>\$ -</b>	<b>\$ 13,914</b>	<b>\$ 210</b>

CITY OF NEW CASTLE  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Community Development Block Grant	City Court Nonreverting	Law Enforcement	Northwest Economic Development Bond Anticipation Note 2004	Northwest Economic Development Bond Anticipation Note 2006	Cumulative Capital Improvement
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	217,136	-	-	-	-	63,519
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	2,712	-	-	-	-
Other	-	-	34,553	241	170	-
<b>Total receipts</b>	<b>217,136</b>	<b>2,712</b>	<b>34,553</b>	<b>241</b>	<b>170</b>	<b>63,519</b>
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	250	26,622	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	217,136	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	25,352	-	-
Capital outlay:						
General government	-	-	-	-	-	75,548
Public safety	-	-	-	-	-	-
<b>Total disbursements</b>	<b>217,136</b>	<b>250</b>	<b>26,622</b>	<b>25,352</b>	<b>-</b>	<b>75,548</b>
Excess (deficiency) of receipts over disbursements	-	2,462	7,931	(25,111)	170	(12,029)
Other financing sources (uses):						
Transfers in	-	-	-	-	43,704	-
Transfers out	-	-	-	(816)	-	-
Temporary loans	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(816)</b>	<b>43,704</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	2,462	7,931	(25,927)	43,874	(12,029)
Cash and investment fund balance - beginning	-	-	3,581	25,927	-	134,641
<b>Cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ 2,462</b>	<b>\$ 11,512</b>	<b>\$ -</b>	<b>\$ 43,874</b>	<b>\$ 122,612</b>
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 122,612
Restricted assets:						
Cash and investments	-	2,462	11,512	-	43,874	-
<b>Total cash and investment assets - December 31</b>	<b>\$ -</b>	<b>\$ 2,462</b>	<b>\$ 11,512</b>	<b>\$ -</b>	<b>\$ 43,874</b>	<b>\$ 122,612</b>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	43,874	-
Other purposes	-	2,462	11,512	-	-	-
Unrestricted	-	-	-	-	-	122,612
<b>Total cash and investment fund balance - December 31</b>	<b>\$ -</b>	<b>\$ 2,462</b>	<b>\$ 11,512</b>	<b>\$ -</b>	<b>\$ 43,874</b>	<b>\$ 122,612</b>

CITY OF NEW CASTLE  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Cumulative Capital Development	Cumulative Fire Township	Northwest Economic Development Construction	Northwest Economic Development Allocation	Northwest Economic Development Capital	Totals
<b>Receipts:</b>						
Taxes	\$ 42,516	\$ -	\$ -	\$ 7,680	\$ -	\$ 171,598
Licenses and permits	-	-	-	-	-	3,950
Intergovernmental	4,567	-	-	-	-	1,416,853
Charges for services	-	105,702	-	-	-	401,617
Fines and forfeits	-	-	-	-	-	2,712
Other	-	-	2,900	112	116	87,849
<b>Total receipts</b>	<b>47,083</b>	<b>105,702</b>	<b>2,900</b>	<b>7,792</b>	<b>116</b>	<b>2,084,579</b>
<b>Disbursements:</b>						
General government	-	-	-	-	-	64,448
Public safety	-	-	-	-	-	244,140
Highways and streets	-	-	-	-	-	1,284,899
Culture and recreation	-	-	-	-	-	62,456
Urban redevelopment and housing	-	-	44,574	-	29,956	293,399
Debt service:						
Principal	-	-	-	-	373,006	373,006
Interest	-	-	-	-	-	25,352
Capital outlay:						
General government	47,445	-	-	-	-	164,723
Public safety	-	35,637	-	-	-	35,637
<b>Total disbursements</b>	<b>47,445</b>	<b>35,637</b>	<b>44,574</b>	<b>-</b>	<b>402,962</b>	<b>2,548,060</b>
Excess (deficiency) of receipts over disbursements	(362)	70,065	(41,674)	7,792	(402,846)	(463,481)
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	3,488	47,192
Transfers out	-	-	(43,743)	(2,633)	-	(47,192)
Temporary loans	-	-	-	-	400,000	400,000
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(43,743)</b>	<b>(2,633)</b>	<b>403,488</b>	<b>400,000</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(362)	70,065	(85,417)	5,159	642	(63,481)
Cash and investment fund balance - beginning	218,306	252,925	85,417	-	-	1,736,663
Cash and investment fund balance - ending	\$ 217,944	\$ 322,990	\$ -	\$ 5,159	\$ 642	\$ 1,673,182
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ 217,944	\$ -	\$ -	\$ -	\$ -	\$ 632,426
Restricted assets:						
Cash and investments	-	322,990	-	5,159	642	1,040,756
<b>Total cash and investment assets - December 31</b>	<b>\$ 217,944</b>	<b>\$ 322,990</b>	<b>\$ -</b>	<b>\$ 5,159</b>	<b>\$ 642</b>	<b>\$ 1,673,182</b>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,425
Debt service	-	-	-	-	-	43,874
Other purposes	-	322,990	-	5,159	642	936,457
Unrestricted	217,944	-	-	-	-	632,426
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 217,944</b>	<b>\$ 322,990</b>	<b>\$ -</b>	<b>\$ 5,159</b>	<b>\$ 642</b>	<b>\$ 1,673,182</b>

CITY OF NEW CASTLE  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PENSION TRUST FUNDS  
 For The Year Ended December 31, 2006

	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer	\$ 573,107	\$ 380,119	\$ 953,226
Plan members	2,274	2,275	4,549
State	19,105	19,105	38,210
Other	<u>9</u>	<u>46,513</u>	<u>46,522</u>
Total contributions	<u>594,495</u>	<u>448,012</u>	<u>1,042,507</u>
Deductions:			
Benefits	746,245	651,620	1,397,865
Administrative and general	2,375	2,475	4,850
Other	<u>46,513</u>	<u>-</u>	<u>46,513</u>
Total deductions	<u>795,133</u>	<u>654,095</u>	<u>1,449,228</u>
Deficiency of total additions over total deductions	(200,638)	(206,083)	(406,721)
Cash and investment fund balance - beginning	<u>660,003</u>	<u>561,876</u>	<u>1,221,879</u>
Cash and investment fund balance - ending	<u>\$ 459,365</u>	<u>\$ 355,793</u>	<u>\$ 815,158</u>

CITY OF NEW CASTLE  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2006

	<u>Payroll</u>	<u>Retirees' Share - Health and Life Insurance</u>	<u>Totals</u>
Additions:			
Agency fund additions	<u>\$ 8,776,855</u>	<u>\$ 41,776</u>	<u>\$ 8,818,631</u>
Deductions:			
Agency fund deductions	<u>8,775,042</u>	<u>20,070</u>	<u>8,795,112</u>
Excess of total additions over total deductions	1,813	21,706	23,519
Cash and investment fund balance - beginning	<u>78,658</u>	<u>8,129</u>	<u>86,787</u>
Cash and investment fund balance - ending	<u><u>\$ 80,471</u></u>	<u><u>\$ 29,835</u></u>	<u><u>\$ 110,306</u></u>

CITY OF NEW CASTLE  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

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.

Retroactive reporting of general infrastructure assets will occur by January 1, 2008.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 280,700
Buildings	2,870,811
Improvements other than buildings	797,678
Machinery and equipment	<u>5,603,400</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 9,552,589</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 325,082
Construction in progress	394,187
Buildings	948,687
Improvements other than buildings	10,488,527
Machinery and equipment	<u>1,793,995</u>
Total Water Utility capital assets	<u>13,950,478</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	39,513
Construction in progress	2,233,112
Buildings	16,894,736
Improvements other than buildings	25,109,708
Machinery and equipment	<u>2,842,519</u>
Total Wastewater Utility capital assets	<u>47,119,588</u>
Total business-type activities capital assets	<u>\$ 61,070,066</u>

CITY OF NEW CASTLE  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

LONG-TERM DEBT

The City has entered into the following long-term debt:

Description of Asset	Principal Ending Balance	Principal Due Within One Year
Governmental Activities:		
Notes and loans payable:		
Tax Increment Revenue Bond Anticipation Notes, Series 2006	\$ 400,000	\$ -
Bonds payable:		
General obligation bonds:		
Park District Bonds, Series 2006	<u>1,950,000</u>	<u>-</u>
Total governmental activities long-term debt	<u>\$ 2,350,000</u>	<u>\$ -</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
1993 Waterworks Improvement Revenue Bonds Refunded 2003	\$ 745,000	\$ 210,000
Waterworks Utility Revenue Bonds, Series 2006	<u>855,000</u>	<u>-</u>
Total Water Utility	<u>\$ 1,600,000</u>	<u>\$ 210,000</u>
Wastewater Utility		
Notes and loans payable:		
State Revolving Fund Loan	\$ 5,570,415	\$ 345,000
Revenue bonds:		
Sewage Works Revenue Bonds, Series 2006	<u>2,020,000</u>	<u>65,000</u>
Total Wastewater Utility	<u>\$ 7,590,415</u>	<u>\$ 410,000</u>
Total business-type activities long-term debt:	<u>\$ 9,190,415</u>	<u>\$ 620,000</u>

CITY OF NEW CASTLE  
AUDIT RESULTS AND COMMENTS

MOVING TRAFFIC VIOLATION COURT COSTS AND VARIOUS FEES NOT REMITTED (Applies to New Castle City Court)

During 2006, court costs and various other fees associated with moving traffic violations collected in accordance with Indiana Code 33-37-4-2 were not remitted to the State of Indiana or to Henry County as required. A breakdown of the amounts of these court costs and fees due the State and County was not available for audit.

Indiana Code 33-37-4-2(a)(2) states: " for a violation of an ordinance of a municipal corporation (as defined in IC 36-1-2-10); the clerk shall collect from the defendant an infraction or ordinance violation costs fee of seventy dollars (\$70)." In addition to the infraction or ordinance violation costs fee collected under Indiana Code 33-37-7-2(a), the clerk shall collect from the defendant various other fees, if they are required under Indiana Code 33-37-5.

SUPPORTING DOCUMENTATION (Applies to New Castle Wastewater Utility)

The Wastewater Utility paid an annual installment of \$28,877 on March 15, 2006, to UV Doctor for maintenance and parts for its UV system. A quote obtained from UV Doctor, dated March 28, 2007, provided for a service agreement for the years 2005 through 2008. The quote provided for three annual installments of \$28,877, which totaled \$86,631, plus an additional \$5,000 for an optional service agreement for the fourth year. A contract was not presented for audit.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BREAK-IN AND BURGLARIES (Applies to New Castle Cemetery)

Cash was received from two individuals on Tuesday, July 25, 2006, and on Thursday, July 27, 2006, in the amounts of \$400 and \$1,150, respectively, for the sales of cemetery lots and an opening/closing of a grave. The \$400 collection was placed inside an envelope and a deposit slip receipt form was prepared. The cash was discovered missing on July 27, 2006.

The \$1,150 collection was placed in an envelope along with checks received for other cemetery sales. A deposit slip receipt form was prepared for the cash and checks. According to officials, on Friday, July 28, 2006, at approximately 4:15 p.m., the total deposit was locked in the cemetery office safe. Upon the opening of the safe on Monday morning, July 31, 2006, it was discovered the \$1,150 cash was missing. The checks remained and they were remitted to the City Clerk-Treasurer's office.

The New Castle Police Department was notified of both instances on Monday, July 31, 2006. A police report was issued that same day.

Break-ins, burglaries or other crimes committed against the governmental unit should be documented by the filing of an official police report. Insurance companies should be contacted to request payment for any allowable coverage. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-13-6-1(d) states in part: "A city or town shall deposit funds not later than the next business day following the receipt of the funds in depositories selected by the city or town as provided in an ordinance adopted by the city or the town and approved as depositories of state funds."

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF NEW CASTLE, HENRY COUNTY, INDIANA

Compliance

We have audited the compliance of the City of New Castle (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 programs for the year ended December 31, 2006. 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, 2006.

Internal Control Over Compliance

The 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, 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  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

A control deficiency in a City's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the City's management, and 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 21, 2007

CITY OF NEW CASTLE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2006

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 HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Housing Authority Community Development Block Grants/State's Program	14.228	HD-005-015	\$ <u>266,777</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	1157.59	<u>6,938</u>
Formula Grants for Other Than Urbanized Areas	20.509	18024100	<u>132,913</u>
Total for federal grantor agency			<u>139,851</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Department of Environmental Management Capitalization Grants for Clean Water State Revolving Funds	66.458	CS182154 01	<u>109,527</u>
Total federal awards expended			<u>\$ 516,155</u>

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

CITY OF NEW CASTLE  
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 New Castle (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF NEW CASTLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	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
14.228	Community Development Block Grants/State's Program

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

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF NEW CASTLE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF NEW CASTLE  
EXIT CONFERENCE

The contents of this report were discussed on June 12, 2007, with Carol D. Goodwin, Judge. The official concurred with our audit findings.

The contents of this report were discussed on August 21, 2007, with David A. England, Superintendent of the South Mound Cemetery; Maxine White, Clerk; and Thomas Nipp, Mayor. The officials concurred with our audit findings.

The contents of this report were discussed on August 21, 2007, with Jeff Hancock, City Council member; Todd Hiday, City Council member; Sandra York, City Council member; Thomas Nipp, Mayor; Brad A. Crowe, President of the Board of Public Works and Safety; Janice L. Lavarney, Clerk-Treasurer; Gloria Bowling, Deputy Clerk-Treasurer; and Emily Cupp, City Accountant. The officials concurred with our audit findings.

The contents of this report were discussed on August 21, 2007, with Louise Pierce, City Council member; and James P. Kidd, City Council member; at a separate meeting. The officials concurred with our audit findings.