

B37591

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

ANNUAL FINANCIAL REPORT

2009

CITY OF NEW CASTLE

HENRY COUNTY, INDIANA



FILED
09/30/2010

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janice L. Lavarney	01-01-08 to 12-31-11
Mayor	Hon. Jim Small	01-01-08 to 12-31-11
President of the Board of Public Works	Hon. Jim Small	01-01-09 to 12-31-10
President of the Common Council	Sandy York	01-01-09 to 12-31-10
Utility Office Manager	Carl Surber	01-01-09 to 12-31-10



STATE OF INDIANA
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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, 2009, 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, 2009, 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 September 9, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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.

The City has not presented Management's Discussion and Analysis, Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, 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

September 9, 2010



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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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 9, 2010. 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 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, Common Council, 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

September 9, 2010

CITY OF NEW CASTLE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2009

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 12,480,907	\$ 5,534,021	\$ -	\$ -	\$ (6,946,886)	\$ -	\$ (6,946,886)
Public safety	4,009,733	653,354	-	309,869	(3,046,510)	-	(3,046,510)
Highways and streets	1,686,776	-	468,768	81,757	(1,136,251)	-	(1,136,251)
Sanitation	-	799,229	-	-	799,229	-	799,229
Economic development	201,041	-	-	817,075	616,034	-	616,034
Culture and recreation	72,280	47,370	-	-	(24,910)	-	(24,910)
Principal and interest on indebtedness	3,125,608	-	-	-	(3,125,608)	-	(3,125,608)
Total governmental activities	21,576,345	7,033,974	468,768	1,208,701	(12,864,902)	-	(12,864,902)
Business-type activities:							
Water	2,478,115	2,336,401	-	154,083	-	12,369	12,369
Wastewater	4,511,087	4,679,661	86,030	383,460	-	638,064	638,064
Total business-type activities	6,989,202	7,016,062	86,030	537,543	-	650,433	650,433
Total primary government	\$ 28,565,547	\$ 14,050,036	\$ 554,798	\$ 1,746,244	(12,864,902)	650,433	(12,214,469)
General receipts:							
Property taxes					5,638,937	(488,600)	5,150,337
Intergovernmental					3,662,867	31,050	3,693,917
Other local sources					3,288,237	(30,405)	3,257,832
Net proceeds from borrowings					431,650	-	431,650
Grants and contributions not restricted to specific programs					35,217	-	35,217
Investment earnings					7,927	11,577	19,504
Interfund loans					500,000	(500,000)	-
Total general receipts					13,564,835	(976,378)	12,588,457
Change in net assets					699,933	(325,945)	373,988
Net assets - beginning					2,285,472	2,874,146	5,159,618
Net assets - ending					\$ 2,985,405	\$ 2,548,201	\$ 5,533,606
<u>Assets</u>							
Cash and investments					\$ 2,392,602	\$ 1,660,461	\$ 4,053,063
Restricted assets:							
Cash and investments					592,803	887,740	1,480,543
Total assets					\$ 2,985,405	\$ 2,548,201	\$ 5,533,606
<u>Net Assets</u>							
Restricted for:							
General government					\$ 1,992	\$ -	\$ 1,992
Public safety					562	-	562
Highways and streets					233,993	-	233,993
Debt service					-	829,108	829,108
Capital outlay					356,256	-	356,256
Other purposes					-	58,632	58,632
Unrestricted					2,392,602	1,660,461	4,053,063
Total net assets					\$ 2,985,405	\$ 2,548,201	\$ 5,533,606

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, 2009

	General	Other Governmental Funds	Totals
Receipts:			
Taxes	\$ 5,297,284	\$ 341,653	\$ 5,638,937
Licenses and permits	164,238	5,667	169,905
Intergovernmental	3,171,723	1,351,538	4,523,261
Charges for services	1,643,652	386,167	2,029,819
Fines and forfeits	32,657	4,891	37,548
Interfund loans	1,735,000	235,000	1,970,000
Other	<u>350,133</u>	<u>355,305</u>	<u>705,438</u>
Total receipts	<u>12,394,687</u>	<u>2,680,221</u>	<u>15,074,908</u>
Disbursements:			
General government	6,513,365	956,457	7,469,822
Public safety	3,869,730	140,003	4,009,733
Highways and streets	713,708	971,741	1,685,449
Economic development	-	199,091	199,091
Culture and recreation	68,203	13,082	81,285
Interfund loans	1,235,000	235,000	1,470,000
Debt service:			
Principal	2,500,000	506,467	3,006,467
Interest	37,118	82,023	119,141
Capital outlay:			
General government	-	336,596	336,596
Highways and streets	-	1,327	1,327
Economic development	-	1,950	1,950
Culture and recreation	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Total disbursements	<u>14,937,124</u>	<u>3,453,737</u>	<u>18,390,861</u>
Excess (deficiency) of receipts over disbursements	<u>(2,542,437)</u>	<u>(773,516)</u>	<u>(3,315,953)</u>
Other financing sources (uses):			
Net proceeds from borrowings	2,500,000	1,297,225	3,797,225
Transfers in	-	27,112	27,112
Transfers out	-	(27,112)	(27,112)
Other receipts	<u>92,166</u>	<u>133,621</u>	<u>225,787</u>
Total other financing sources (uses)	<u>2,592,166</u>	<u>1,430,846</u>	<u>4,023,012</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	49,729	657,330	707,059
Cash and investment fund balance - beginning	<u>664,536</u>	<u>1,587,624</u>	<u>2,252,160</u>
Cash and investment fund balance - ending	<u>\$ 714,265</u>	<u>\$ 2,244,954</u>	<u>2,959,219</u>
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>26,186</u>
Net assets of governmental activities			<u>\$ 2,985,405</u>
<u>Cash and Investment Assets - Ending</u>			
Cash and investments	\$ 714,265	\$ 1,652,151	\$ 2,366,416
Restricted assets:			
Cash and investments	<u>-</u>	<u>592,803</u>	<u>592,803</u>
Total cash and investment assets - ending	<u>\$ 714,265</u>	<u>\$ 2,244,954</u>	<u>\$ 2,959,219</u>
<u>Cash and Investment Fund Balance - Ending</u>			
Restricted for:			
General government	\$ -	\$ 1,992	\$ 1,992
Public safety	-	562	562
Highways and streets	-	233,993	233,993
Capital outlay	-	356,256	356,256
Unrestricted	<u>714,265</u>	<u>1,652,151</u>	<u>2,366,416</u>
Total cash and investment fund balance - ending	<u>\$ 714,265</u>	<u>\$ 2,244,954</u>	<u>\$ 2,959,219</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
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2009

	Water Utility	Wastewater Utility	Totals	Internal Service Funds
Operating receipts:				
Metered/measured	\$ 2,027,524	\$ 4,489,614	\$ 6,517,138	\$ -
Sales for resale	2,370	-	2,370	-
Fire protection receipts	283,223	-	283,223	-
Fees	3,500	16,608	20,108	-
Penalties	19,784	98,567	118,351	-
Charges for services	-	51,105	51,105	-
Interfund loan proceeds	-	1,000,000	1,000,000	4,667,363
Miscellaneous	-	23,767	23,767	-
	<u>2,336,401</u>	<u>5,679,661</u>	<u>8,016,062</u>	<u>4,667,363</u>
Total operating receipts				
Operating disbursements:				
Salaries and wages	-	1,197,893	1,197,893	-
Employee pensions and benefits	-	511,663	511,663	-
Purchased power	-	396,267	396,267	-
Contractual services	-	75,302	75,302	-
Transportation	-	121,712	121,712	-
Insurance claims and expense	-	38,886	38,886	4,674,489
Administration and general	-	203,937	203,937	-
Refunds	-	34	34	-
Equipment and capital improvements	-	1,169,764	1,169,764	-
Interfund loans made/repaid	-	1,500,000	1,500,000	-
Miscellaneous	<u>2,227,212</u>	<u>146,956</u>	<u>2,374,168</u>	<u>-</u>
Total operating disbursements	<u>2,227,212</u>	<u>5,362,414</u>	<u>7,589,626</u>	<u>4,674,489</u>
Excess (deficiency) of operating receipts over operating disbursements	<u>109,189</u>	<u>317,247</u>	<u>426,436</u>	<u>(7,126)</u>
Nonoperating receipts (disbursements):				
Property taxes	-	(488,600)	(488,600)	-
Intergovernmental	31,050	-	31,050	-
Investment income	1,688	9,889	11,577	-
Refunds	(30,405)	-	(30,405)	-
Grants	-	86,030	86,030	-
Debt service of principal	(200,000)	(373,000)	(573,000)	-
Interest disbursements	<u>(50,903)</u>	<u>(275,673)</u>	<u>(326,576)</u>	<u>-</u>
Total nonoperating receipts (disbursements)	<u>(248,570)</u>	<u>(1,041,354)</u>	<u>(1,289,924)</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	<u>(139,381)</u>	<u>(724,107)</u>	<u>(863,488)</u>	<u>(7,126)</u>
Capital contributions	<u>154,083</u>	<u>383,460</u>	<u>537,543</u>	<u>-</u>
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	<u>14,702</u>	<u>(340,647)</u>	<u>(325,945)</u>	<u>(7,126)</u>
Cash and investment fund balance - beginning	<u>237,374</u>	<u>2,636,772</u>	<u>2,874,146</u>	<u>33,312</u>
Cash and investment fund balance - ending	<u>\$ 252,076</u>	<u>\$ 2,296,125</u>	<u>\$ 2,548,201</u>	<u>\$ 26,186</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 107,943	\$ 1,552,518	\$ 1,660,461	\$ 26,186
Restricted assets:				
Cash and investments	<u>144,133</u>	<u>743,607</u>	<u>887,740</u>	<u>-</u>
Total cash and investment assets - December 31	<u>\$ 252,076</u>	<u>\$ 2,296,125</u>	<u>\$ 2,548,201</u>	<u>\$ 26,186</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 85,501	\$ 743,607	\$ 829,108	\$ -
Other purposes	58,632	-	58,632	-
Unrestricted	<u>107,943</u>	<u>1,552,518</u>	<u>1,660,461</u>	<u>26,186</u>
Total cash and investment fund balance - December 31	<u>\$ 252,076</u>	<u>\$ 2,296,125</u>	<u>\$ 2,548,201</u>	<u>\$ 26,186</u>

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, 2009

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
State	\$ 1,394,397	\$ -	
Investment earnings:			
Interest	-	42,578	
Total additions	1,394,397	42,578	
Deductions:			
Benefits	1,354,540	-	
Administrative and general	5,207	56,406	
Total deductions	1,359,747	56,406	
Excess (deficiency) of total additions over total deductions	34,650	(13,828)	
Cash and investment fund balance - beginning	519,173	224,903	
Cash and investment fund balance - ending	\$ 553,823	\$ 211,075	\$ 80,157

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, planning and zoning, general administrative services, water, wastewater, aviation, and urban redevelopment.

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*.

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, 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 fund:

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 City reports the following major enterprise 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.

CITY OF NEW CASTLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additionally, the City reports the following fund types:

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

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

The private-purpose trust funds report 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.

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 City and its enterprise funds. 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.

CITY OF NEW CASTLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 non-operating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government.

When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the City in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which may become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

4. 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.

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

CITY OF NEW CASTLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

- 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."

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 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 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.
- 4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

CITY OF NEW CASTLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Government-Wide Financial Statements

Interfund activity, if any, is 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 loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity – Resource flows between the primary government and the discretely-presented component unit(s) are reported as if they were external transactions and are classified separately from internal 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. Prior to November 1, 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

A. Deposits and Investments

1. 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. IC 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

CITY OF NEW CASTLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The City does not have a deposit policy for custodial credit risk. At December 31, 2009, the City had deposit balances in the amount of \$6,549,980.

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.

IV. Interfund Transfers

Interfund transfers for the year ended December 31, 2009, were as follows:

Transfer From	Transfer To	2009
Other Governmental Funds	Other Governmental Funds	\$ 27,112
Total		<u>\$ 27,112</u>

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

V. 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to; and natural disasters are covered by commercial insurance from independent third parties.

The City has chosen to establish a risk financing fund for risks associated with Medical Benefits for 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. The City purchases commercial insurance for claims in excess of coverage provided by the fund. 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.

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.

CITY OF NEW CASTLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

B. Related Party Transactions

During the period for which financial statements are presented, the City had related party transactions with Councilman Vaughn Reid III in relation to providing computer services in the amount of \$22,638. As of December 31, 2009, no amount was due to Councilman Vaughn Reid III.

C. Other 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, 85 retirees meet these eligibility requirements. The City and retirees provide 99% and 1%, respectively, of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis.

D. Rate Structure – Enterprise Funds

Water Utility

The Utility was granted approval by the Indiana Utility Regulatory Commission to increase rates. The increase became effective September 21, 2006, and amounted to approximately a 30% increase to all customers.

Wastewater Utility

The current rate structure was approved by the City Council on September 21, 2006.

E. Receipts Pledged

Tax Increment Receipts Pledged

The City has pledged a portion of property tax receipts to repay \$485,000 in tax increment bonds issued in 2009 to retire and defease prior bond anticipation notes (BAN) with the remainder used to establish a Capital fund which may be spent in accordance with the original BAN section 11.

That section states that the Capital Fund shall be expended only for the purpose of paying the cost of property acquisition, redevelopment and economic development in or serving the Northwest Economic Development Area. The bonds are payable solely from the incremental property taxes generated from the Northwest Economic Development Area. Incremental property taxes were projected to produce 100 percent of the debt service requirements over the life of the bonds.

CITY OF NEW CASTLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. 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:

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

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the City during the period were \$255,823.

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

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

CITY OF NEW CASTLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11. The State of Indiana has contributed \$713,561 on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

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.

Funding Policy

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

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11. The State of Indiana has contributed \$582,903 on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan(s)

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.

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

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

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

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 during the period were \$454,466.

G. Subsequent Event

Interfund Loan

On February 16, 2010, the City Council approved a resolution authorizing an interfund loan from the Storm Water Operating fund to the General Fund for \$2,000,000 to be repaid by December 31, 2010.

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, 2009

	Motor Vehicle Highway	Local Roads and Street	Transportation	Community Development Block	Police Continuing Education	Clerk's Record Perpetuation
Receipts:						
Taxes	\$ 30,476	\$ -	\$ 37,844	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	1,500	-
Intergovernmental	471,800	248,987	313,635	-	-	-
Charges for services	-	-	20,537	-	15,697	-
Fines and forfeits	-	-	-	-	4,891	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	581	914
Total receipts	502,276	248,987	372,016	-	22,669	914
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	15,621	-
Highways and streets	485,598	53,771	430,471	-	-	-
Economic development	-	-	-	131,263	-	-
Culture and recreation	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Highways and streets	-	-	1,327	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	485,598	53,771	431,798	131,263	15,621	-
Excess (deficiency) of receipts over disbursements	16,678	195,216	(59,782)	(131,263)	7,048	914
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	1,760	131,263	-	-
Total other financing sources (uses)	-	-	1,760	131,263	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	16,678	195,216	(58,022)	-	7,048	914
Cash and investment fund balance - beginning	31,241	38,777	78,801	-	39,213	1,078
Cash and investment fund balance - ending	<u>\$ 47,919</u>	<u>\$ 233,993</u>	<u>\$ 20,779</u>	<u>\$ -</u>	<u>\$ 46,261</u>	<u>\$ 1,992</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 47,919	\$ -	\$ 20,779	\$ -	\$ 46,261	\$ -
Restricted assets:						
Cash and investments	-	233,993	-	-	-	1,992
Total cash and investment assets - ending	<u>\$ 47,919</u>	<u>\$ 233,993</u>	<u>\$ 20,779</u>	<u>\$ -</u>	<u>\$ 46,261</u>	<u>\$ 1,992</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,992
Public safety	-	-	-	-	-	-
Highways and streets	-	233,993	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	47,919	-	20,779	-	46,261	-
Total cash and investment fund balance - ending	<u>\$ 47,919</u>	<u>\$ 233,993</u>	<u>\$ 20,779</u>	<u>\$ -</u>	<u>\$ 46,261</u>	<u>\$ 1,992</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, 2009
 (Continued)

	Riverboat	Park Rejuvenation/ Shelter	First Aid Donation	Mayor Donation	Fire Donation	Fire Shop/W Fireman
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	360	973	-	10,220
Total receipts	-	-	360	973	-	10,220
Disbursements:						
General government	767	-	703	973	-	10,065
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	767	-	703	973	-	10,065
Excess (deficiency) of receipts over disbursements	(767)	-	(343)	-	-	155
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(767)	-	(343)	-	-	155
Cash and investment fund balance - beginning	2,530	169	1,609	30	1,017	1,350
Cash and investment fund balance - ending	<u>\$ 1,763</u>	<u>\$ 169</u>	<u>\$ 1,266</u>	<u>\$ 30</u>	<u>\$ 1,017</u>	<u>\$ 1,505</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,763	\$ 169	\$ 1,266	\$ 30	\$ 1,017	\$ 1,505
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 1,763</u>	<u>\$ 169</u>	<u>\$ 1,266</u>	<u>\$ 30</u>	<u>\$ 1,017</u>	<u>\$ 1,505</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	1,763	169	1,266	30	1,017	1,505
Total cash and investment fund balance - ending	<u>\$ 1,763</u>	<u>\$ 169</u>	<u>\$ 1,266</u>	<u>\$ 30</u>	<u>\$ 1,017</u>	<u>\$ 1,505</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, 2009
 (Continued)

	City Center N/R	Rainy Day Fund	Law Enforcement Non/Rev	Police Canine Donation	Operation Pullover	Township Fire N/R
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	5,600	151,859
Fines and forfeits	-	-	-	-	-	-
Interfund loans	10,000	-	-	-	-	100,000
Other	12,081	293,386	750	-	-	-
Total receipts	22,081	293,386	750	-	5,600	251,859
Disbursements:						
General government	-	-	-	85	-	-
Public safety	-	-	200	-	5,403	118,779
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	12,686	-	-	-	-	-
Interfund loans	10,000	-	-	-	-	100,000
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	10,000	-	-	-	-	-
Total disbursements	32,686	-	200	85	5,403	218,779
Excess (deficiency) of receipts over disbursements	(10,605)	293,386	550	(85)	197	33,080
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	598	-	-	-	-	-
Total other financing sources (uses)	598	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(10,007)	293,386	550	(85)	197	33,080
Cash and investment fund balance - beginning	14,682	-	9,901	570	365	150,058
Cash and investment fund balance - ending	\$ 4,675	\$ 293,386	\$ 10,451	\$ 485	\$ 562	\$ 183,138
Cash and Investment Assets - Ending						
Cash and investments	\$ 4,675	\$ 293,386	\$ 10,451	\$ 485	\$ -	\$ 183,138
Restricted assets:						
Cash and investments	-	-	-	-	562	-
Total cash and investment assets - ending	\$ 4,675	\$ 293,386	\$ 10,451	\$ 485	\$ 562	\$ 183,138
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	562	-
Highways and streets	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	4,675	293,386	10,451	485	-	183,138
Total cash and investment fund balance - ending	\$ 4,675	\$ 293,386	\$ 10,451	\$ 485	\$ 562	\$ 183,138

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, 2009
 (Continued)

	Park Non/Reve.	1st Aid Recovery N/R	Fire Dept Assis.	Police Assist.	Cemetery N/R	N/R Street & Road Fund
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	17,974	174,500	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	30,000	-	-	-	20,000	-
Other	-	-	-	11,160	675	7,367
Total receipts	47,974	174,500	-	11,160	20,675	7,367
Disbursements:						
General government	60,504	252,972	-	7,394	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Interfund loans	30,000	-	-	-	20,000	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	90,504	252,972	-	7,394	20,000	-
Excess (deficiency) of receipts over disbursements	(42,530)	(78,472)	-	3,766	675	7,367
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(42,530)	(78,472)	-	3,766	675	7,367
Cash and investment fund balance - beginning	61,251	132,080	705	28,417	23,921	607
Cash and investment fund balance - ending	<u>\$ 18,721</u>	<u>\$ 53,608</u>	<u>\$ 705</u>	<u>\$ 32,183</u>	<u>\$ 24,596</u>	<u>\$ 7,974</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 18,721	\$ 53,608	\$ 705	\$ 32,183	\$ 24,596	\$ 7,974
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 18,721</u>	<u>\$ 53,608</u>	<u>\$ 705</u>	<u>\$ 32,183</u>	<u>\$ 24,596</u>	<u>\$ 7,974</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	18,721	53,608	705	32,183	24,596	7,974
Total cash and investment fund balance - ending	<u>\$ 18,721</u>	<u>\$ 53,608</u>	<u>\$ 705</u>	<u>\$ 32,183</u>	<u>\$ 24,596</u>	<u>\$ 7,974</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, 2009
 (Continued)

	Park/Pool Bond	Park/Bond Payment & Interest	Northfield Debt Escrow	Cumulative Capital Development	Cumulative Capital Improvement	Garner & East Bond
Receipts:						
Taxes	\$ -	\$ 116,881	\$ -	\$ 156,452	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	682	10,950	-	19,662	54,519	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	-	-	-	50,000	25,000	-
Other	34	174	220	-	-	-
Total receipts	716	128,005	220	226,114	79,519	-
Disbursements:						
General government	-	-	-	-	-	165,232
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Interfund loans	-	-	-	50,000	25,000	-
Debt service:						
Principal	-	100,000	-	-	-	-
Interest	7,846	62,467	-	-	-	-
Capital outlay:						
General government	-	-	-	25,202	55,447	255,947
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	7,846	162,467	-	75,202	80,447	421,179
Excess (deficiency) of receipts over disbursements	(7,130)	(34,462)	220	150,912	(928)	(421,179)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	48,500	-	-	817,075
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	48,500	-	-	817,075
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,130)	(34,462)	48,720	150,912	(928)	395,896
Cash and investment fund balance - beginning	59,383	162,391	-	117,145	89,127	-
Cash and investment fund balance - ending	<u>\$ 52,253</u>	<u>\$ 127,929</u>	<u>\$ 48,720</u>	<u>\$ 268,057</u>	<u>\$ 88,199</u>	<u>\$ 395,896</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 52,253	\$ 127,929	\$ 48,720	\$ -	\$ -	\$ 395,896
Restricted assets:						
Cash and investments	-	-	-	268,057	88,199	-
Total cash and investment assets - ending	\$ 52,253	\$ 127,929	\$ 48,720	\$ 268,057	\$ 88,199	\$ 395,896
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Capital outlay	-	-	-	268,057	88,199	-
Unrestricted	52,253	127,929	48,720	-	-	395,896
Total cash and investment fund balance - ending	\$ 52,253	\$ 127,929	\$ 48,720	\$ 268,057	\$ 88,199	\$ 395,896

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, 2009
 (Continued)

	Northfield Tif	Sidewalk/Crr N/R	Aquatic Center and Baker Pool	Downtown N/R	Se/Downtown (Tif) N.R	Demolition
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	4,167
Intergovernmental	37,914	-	-	-	193,389	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	12,504	-	-	-
Total receipts	37,914	-	12,504	-	193,389	4,167
Disbursements:						
General government	-	-	-	48	445,132	4,889
Public safety	-	-	-	-	-	-
Highways and streets	-	1,901	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	396	-	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	1,950	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	1,950	1,901	396	48	445,132	4,889
Excess (deficiency) of receipts over disbursements	35,964	(1,901)	12,108	(48)	(251,743)	(722)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	27,112	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	27,112	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	63,076	(1,901)	12,108	(48)	(251,743)	(722)
Cash and investment fund balance - beginning	-	2,001	2,051	13,914	391,607	4,689
Cash and investment fund balance - ending	<u>\$ 63,076</u>	<u>\$ 100</u>	<u>\$ 14,159</u>	<u>\$ 13,866</u>	<u>\$ 139,864</u>	<u>\$ 3,967</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 63,076	\$ 100	\$ 14,159	\$ 13,866	\$ 139,864	\$ 3,967
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 63,076</u>	<u>\$ 100</u>	<u>\$ 14,159</u>	<u>\$ 13,866</u>	<u>\$ 139,864</u>	<u>\$ 3,967</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	63,076	100	14,159	13,866	139,864	3,967
Total cash and investment fund balance - ending	<u>\$ 63,076</u>	<u>\$ 100</u>	<u>\$ 14,159</u>	<u>\$ 13,866</u>	<u>\$ 139,864</u>	<u>\$ 3,967</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, 2009
 (Continued)

	Aviation N/R	NW Econ Dev Bond Anticipation Note 2006	NW Economic Development Allocation	NW Economic Development Capital	Totals
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 341,653
Licenses and permits	-	-	-	-	5,667
Intergovernmental	-	-	-	-	1,351,538
Charges for services	-	-	-	-	386,167
Fines and forfeits	-	-	-	-	4,891
Interfund loans	-	-	-	-	235,000
Other	-	24	6	3,876	355,305
Total receipts	-	24	6	3,876	2,680,221
Disbursements:					
General government	7,693	-	-	-	956,457
Public safety	-	-	-	-	140,003
Highways and streets	-	-	-	-	971,741
Economic development	-	-	4,001	63,827	199,091
Culture and recreation	-	-	-	-	13,082
Interfund loans	-	-	-	-	235,000
Debt service:					
Principal	-	-	-	406,467	506,467
Interest	-	11,710	-	-	82,023
Capital outlay:					
General government	-	-	-	-	336,596
Highways and streets	-	-	-	-	1,327
Economic development	-	-	-	-	1,950
Culture and recreation	-	-	-	-	10,000
Total disbursements	7,693	11,710	4,001	470,294	3,453,737
Excess (deficiency) of receipts over disbursements	(7,693)	(11,686)	(3,995)	(466,418)	(773,516)
Other financing sources (uses):					
Net proceeds from borrowings	-	-	-	431,650	1,297,225
Transfers in	-	-	-	-	27,112
Transfers out	-	-	-	(27,112)	(27,112)
Other receipts	-	-	-	-	133,621
Total other financing sources (uses)	-	-	-	404,538	1,430,846
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,693)	(11,686)	(3,995)	(61,880)	657,330
Cash and investment fund balance - beginning	49,383	11,686	3,995	61,880	1,587,624
Cash and investment fund balance - ending	\$ 41,690	\$ -	\$ -	\$ -	\$ 2,244,954
Cash and Investment Assets - Ending					
Cash and investments	\$ 41,690	\$ -	\$ -	\$ -	\$ 1,652,151
Restricted assets:					
Cash and investments	-	-	-	-	592,803
Total cash and investment assets - ending	\$ 41,690	\$ -	\$ -	\$ -	\$ 2,244,954
Cash and Investment Fund Balance - Ending					
Restricted for:					
General government	\$ -	\$ -	\$ -	\$ -	\$ 1,992
Public safety	-	-	-	-	562
Highways and streets	-	-	-	-	233,993
Capital outlay	-	-	-	-	356,256
Unrestricted	41,690	-	-	-	1,652,151
Total cash and investment fund balance - ending	\$ 41,690	\$ -	\$ -	\$ -	\$ 2,244,954

CITY OF NEW CASTLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 INTERNAL SERVICE FUNDS
 As of and for the Year Ended December 31, 2009

	Flex Health Saving Account	Cumulative Insurance Recovery	Cemetery Options	Totals
Operating receipts:				
Charges for services	\$ 10,357	\$ 4,648,358	\$ 8,648	\$ 4,667,363
Operating disbursements:				
Insurance claims and expense	<u>11,732</u>	<u>4,651,782</u>	<u>10,975</u>	<u>4,674,489</u>
Excess (deficiency) of receipts over disbursements	(1,375)	(3,424)	(2,327)	(7,126)
Cash and investment fund balance - beginning	<u>11,523</u>	<u>14,357</u>	<u>7,432</u>	<u>33,312</u>
Cash and investment fund balance - ending	<u>\$ 10,148</u>	<u>\$ 10,933</u>	<u>\$ 5,105</u>	<u>\$ 26,186</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	<u>\$ 10,148</u>	<u>\$ 10,933</u>	<u>\$ 5,105</u>	<u>\$ 26,186</u>
Total cash and investment assets - December 31	<u>\$ 10,148</u>	<u>\$ 10,933</u>	<u>\$ 5,105</u>	<u>\$ 26,186</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Unrestricted	<u>\$ 10,148</u>	<u>\$ 10,933</u>	<u>\$ 5,105</u>	<u>\$ 26,186</u>
Total cash and investment fund balance - December 31	<u>\$ 10,148</u>	<u>\$ 10,933</u>	<u>\$ 5,105</u>	<u>\$ 26,186</u>

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, 2009

	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Totals</u>
Additions:			
Contributions:			
State	\$ 811,494	\$ 582,903	\$ 1,394,397
Total additions	<u>811,494</u>	<u>582,903</u>	<u>1,394,397</u>
Deductions:			
Benefits	812,230	542,310	1,354,540
Administrative and general	<u>2,650</u>	<u>2,557</u>	<u>5,207</u>
Total deductions	<u>814,880</u>	<u>544,867</u>	<u>1,359,747</u>
Excess (deficiency) of total additions over total deductions	(3,386)	38,036	34,650
Cash and investment fund balance - beginning	<u>238,575</u>	<u>280,598</u>	<u>519,173</u>
Cash and investment fund balance - ending	<u><u>\$ 235,189</u></u>	<u><u>\$ 318,634</u></u>	<u><u>\$ 553,823</u></u>

CITY OF NEW CASTLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For The Year Ended December 31, 2009

	<u>Perpetual Maintenance</u>	<u>Mausoleum Non-Reverting</u>	<u>Totals</u>
Additions:			
Investment earnings:			
Interest	\$ 42,578	\$ -	\$ 42,578
Total additions	<u>42,578</u>	<u>-</u>	<u>42,578</u>
Deductions:			
Administrative and general	<u>56,406</u>	<u>-</u>	<u>56,406</u>
Total deductions	<u>56,406</u>	<u>-</u>	<u>56,406</u>
Excess (deficiency) of total additions over total deductions	(13,828)	-	(13,828)
Cash and investment fund balance - beginning	<u>220,368</u>	<u>4,535</u>	<u>224,903</u>
Cash and investment fund balance - ending	<u>\$ 206,540</u>	<u>\$ 4,535</u>	<u>\$ 211,075</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, 2009

	<u>Payroll</u>	<u>Retirees' Insurance</u>	<u>Special Utilities</u>	<u>Totals</u>
Additions:				
Agency fund additions	\$ 8,353,988	\$ 57,660	\$ 457,366	\$ 8,869,014
Deductions:				
Agency fund deductions	<u>8,357,864</u>	<u>53,424</u>	<u>457,390</u>	<u>8,868,678</u>
Excess (deficiency) of total additions over total deductions	(3,876)	4,236	(24)	336
Cash and investment fund balance - beginning	<u>79,322</u>	<u>438</u>	<u>61</u>	<u>79,821</u>
Cash and investment fund balance - ending	<u>\$ 75,446</u>	<u>\$ 4,674</u>	<u>\$ 37</u>	<u>\$ 80,157</u>

CITY OF NEW CASTLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets	
Land	\$ 190,000
Infrastructure	3,862,586
Buildings	3,068,707
Improvements other than buildings	719,367
Machinery and equipment	<u>6,254,034</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 14,094,694</u>
<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets	
Land	\$ 325,082
Construction in progress	504,398
Buildings	978,366
Improvements other than buildings	10,578,507
Machinery and equipment	<u>1,847,693</u>
 Total Water Utility capital assets	 <u>14,234,046</u>
Wastewater Utility:	
Capital assets	
Land	39,513
Construction in progress	4,563,754
Buildings	16,922,473
Improvements other than buildings	25,366,531
Machinery and equipment	<u>3,091,336</u>
 Total Wastewater Utility capital assets	 <u>49,983,607</u>
 Total business-type activities capital assets	 <u>\$ 64,217,653</u>

CITY OF NEW CASTLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
(2) LaBrie Automizer Trucks and Toters	\$ 1,049,180	\$ 180,571
(2) 2007 Horton 553 Ambulances Ford E-450	101,007	105,582
Bonds payable:		
General obligation bonds:		
Park District Bonds 2006	1,755,000	171,725
Garner/Eastside Bonds 2009	860,000	75,208
Revenue bonds:		
NC Redevelopment TIF Bonds 2009	<u>485,000</u>	<u>33,637</u>
Total governmental activities debt	<u>\$ 4,250,187</u>	<u>\$ 566,723</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
Waterworks Revenue Bonds 2006	<u>\$ 655,000</u>	<u>\$ 118,526</u>
Total Water Utility	<u>655,000</u>	<u>118,526</u>
Wastewater Utility:		
Capital leases:		
2007 Isuzu Chassis w/Tymco Sweeper	62,745	22,240
Swarze A-4000 Sweeper	36,754	19,679
Revenue bonds:		
Sewage Works Revenue Bonds 2006	1,815,000	158,312
Sewage Works Revenue Bonds SRF 2000	<u>4,754,912</u>	<u>637,813</u>
Total Wastewater Utility	<u>6,669,411</u>	<u>838,044</u>
Total business-type activities debt	<u>\$ 7,324,411</u>	<u>\$ 956,570</u>

CITY OF NEW CASTLE
OTHER REPORT

The annual report presented herein was prepared in addition to another official report prepared for the individual City office listed below:

City Court

CITY OF NEW CASTLE
AUDIT RESULTS AND COMMENTS

ANNUAL REPORT AND FINANCIAL RECORDS

The 2009 annual report and the financial records (ledgers) presented for audit were incomplete and not reflective of the activity and balances of the City Court and the Northwest Economic Development TIF district. Adjustments were made to include the Northwest Economic Development TIF funds for full reporting.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT ISSUANCE (Applies to New Castle Cemetery)

In some instances, receipts were not issued, but money was deposited for cemetery services. There were three times between February and July when the amount deposited was more than the total of the cemetery receipt forms. The three unrecorded amounts totaled \$2,400, paid for the sale of lots.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COLLECTION OF AMOUNTS DUE AT TIME OF SERVICE (Applies to New Castle Cemetery)

We identified three instances when the receipt issued by the cemetery department was issued after the services were provided. The longest delay between the service and the receipt of money was 28 days. A similar comment appeared in prior Report No. B32480.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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, 2009. 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 non-compliance 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, 2009.

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, Common Council, 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

September 9, 2010

CITY OF NEW CASTLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2009

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 and Community Development Authority Community Development Block Grants/State's Program Home Owner Occupied Rehabilitation Program Neighborhood Stabilization Program	14.228	HD-008-008 NSP1-009-010	\$ 125,000 29,925
Pass-Through Indiana Office of Community and Rural Affairs Community Focus Fund		CF-08-208	<u>214,060</u>
Total for federal grantor agency and program			<u>368,985</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Formula Grants for Other Than Urban Areas	20.509	Proj 18026100 Proj 18027100	50,559 <u>160,309</u>
Total for program			<u>210,868</u>
Pass-Through Indiana Criminal Justice Institute State Community Highway Safety	20.600	OP-09-01-01-12 OP-10-02-01-11	3,770 <u>1,633</u>
Total for program			<u>5,403</u>
Total for federal grantor agency			<u>216,271</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Department of Environmental Management State Revolving fund Congressionally Mandated Projects	66.202	XPOOE50301	<u>192,400</u>
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458	CS 182154 01	<u>2,681</u>
Total for federal grantor agency			<u>195,081</u>
Total federal awards expended			<u>\$ 780,337</u>

The accompanying notes are 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 cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF 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
Significant deficiencies 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
Significant deficiencies 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
20.509	Formula Grants for Other Than Urban Areas

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 September 9, 2010, with Janice L. Lavarney, Clerk-Treasurer; Hon. Jim Small, Mayor; and Sandy York, President of the Common Council. The officials concurred with our audit findings.