

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF NEWBURGH
WARRICK COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
07/06/2012

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|--------------------------------------|--------------------------------------|--|
| Clerk-Treasurer | Rebecca J. Gentry | 01-01-08 to 12-31-15 |
| President of the Town Council | Shari Sherman Leanna Hughes | 01-01-10 to 12-31-10 01-01-11 to 12-31-12 |
| Superintendent of Wastewater Utility | Leon Key | 01-01-10 to 12-31-12 |
| Utility Office Manager | Shawn Mundy Vacant Susan Helms | 01-01-10 to 06-01-11 06-02-11 to 06-22-11 06-23-11 to 12-31-12 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF NEWBURGH, WARRICK COUNTY, INDIANA

We have audited the accompanying financial statements of the Town of Newburgh (Town), for the years ended December 31, 2010 and 2011. These financial statements are the responsibility of the Town'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial 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 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated May 24, 2012, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

This report is intended solely for the information and use of the Town's management, Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 24, 2012



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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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 TOWN OF NEWBURGH, WARRICK COUNTY, INDIANA

We have audited the financial statements of the Town of Newburgh (Town), for the years ended December 31, 2010 and 2011, and have issued our report thereon dated May 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be 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 Town'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 Town's management, Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 24, 2012

FINANCIAL STATEMENTS

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

TOWN OF NEWBURGH
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

| Fund | Cash and Investments 01-01-10 | Receipts | Disbursements | Cash and Investments 12-31-10 |
|-----------------------------------|-------------------------------------|----------------------|----------------------|-------------------------------------|
| General | \$ 600,738 | \$ 2,083,343 | \$ 2,106,660 | \$ 577,421 |
| Motor Vehicle Highway | 22,786 | 121,556 | 128,707 | 15,635 |
| Local Road And Street | 7,099 | 31,609 | 12,494 | 26,214 |
| Donations | 15,206 | 13,845 | 10,242 | 18,809 |
| Federal Grants #1 | 25,415 | 42,994 | 68,407 | 2 |
| Rainy Day | 24,558 | 48,704 | - | 73,262 |
| Levy Excess | 13,253 | 2,106 | 13,253 | 2,106 |
| Boat Ramp | 19,213 | 11,563 | 8,216 | 22,560 |
| Community Park Ccif | 50 | 2,979 | 3,000 | 29 |
| Deposits | 3,500 | - | - | 3,500 |
| Edit | 122,536 | 105,170 | 24,396 | 203,310 |
| Edit Bond Sinking | - | 159,260 | 159,260 | - |
| Enforcement Aid | 1,740 | - | 440 | 1,300 |
| Lock & Dam Park Ccif | 4,487 | 3,311 | 1,992 | 5,806 |
| Nvfa | - | 5,500 | 5,500 | - |
| Park Debt | 31 | - | - | 31 |
| Police Continuing Education | 6,754 | 4,280 | 7,876 | 3,158 |
| Storm Water | 25,011 | 105,330 | 108,916 | 21,425 |
| Street Cut | 4,053 | - | - | 4,053 |
| Cumulative Captal Improvement | 24,974 | 9,042 | 6,994 | 27,022 |
| Cumulative Capital Development | 39,533 | 21,722 | - | 61,255 |
| Rivertown Trail | 1,247 | 386,914 | 322,236 | 65,925 |
| Edit Construction | 350,581 | 39,515 | 116,304 | 273,792 |
| Payroll | 46,926 | 2,076,237 | 2,063,010 | 60,153 |
| Wastewater - Operating | 324,918 | 8,521,332 | 8,257,139 | 589,111 |
| Wastewater - Bond & Interest | 1,517,189 | 15,364,668 | 16,000,363 | 881,494 |
| Wastewater - Improvements | 1,089,129 | - | 390,420 | 698,709 |
| Wastewater - Construction | 4,131,137 | 3,101,817 | 6,127,136 | 1,105,818 |
| Wastewater - Petty Cash | 200 | - | - | 200 |
| Wastewater - Wwtp Expansion | - | 12,051,590 | 12,051,590 | - |
| Wastewater - Cash Reserve | - | 460,000 | 460,000 | - |
| Wastewater - Debt Service Reserve | 1,925,291 | 357,451 | 54,249 | 2,228,493 |
| Totals | \$ 10,347,555 | \$ 45,131,838 | \$ 48,508,800 | \$ 6,970,593 |

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

TOWN OF NEWBURGH
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

| Fund | Cash and Investments 01-01-11 | Receipts | Disbursements | Cash and Investments 12-31-11 |
|-----------------------------------|-------------------------------------|----------------------|----------------------|-------------------------------------|
| General | \$ 577,421 | \$ 2,427,052 | \$ 2,172,746 | \$ 831,727 |
| Motor Vehicle Highway | 15,635 | 122,784 | 118,126 | 20,293 |
| Local Road And Street | 26,214 | 31,734 | 25,671 | 32,277 |
| EDIT | 203,310 | 63,142 | 9,195 | 257,257 |
| Rainy Day | 73,262 | 264 | 10,400 | 63,126 |
| Levy Excess | 2,106 | - | - | 2,106 |
| Cumulative Capital Development | 61,255 | 31,514 | - | 92,769 |
| Cumulative Capital Improvement | 27,022 | 8,868 | 2,978 | 32,912 |
| Payroll | 60,153 | 1,950,353 | 1,947,313 | 63,193 |
| Specific Donations | 18,809 | 20,998 | 20,183 | 19,624 |
| Enforcement Aid | 1,300 | 1,200 | 250 | 2,250 |
| Police Continuing Ed | 3,158 | 3,869 | 2,678 | 4,349 |
| Boat Ramp | 22,560 | 10,123 | 528 | 32,155 |
| Storm Water | 21,425 | 86,951 | 83,996 | 24,380 |
| Street Cut | 4,053 | - | - | 4,053 |
| Deposits | 3,500 | - | - | 3,500 |
| Federal Grants #1 | 2 | 81,127 | 81,129 | - |
| EDIT Bond Sinking | - | 159,260 | 29,260 | 130,000 |
| Park Debt | 31 | - | - | 31 |
| Lock and Dam Park CCIF | 5,806 | 3,469 | 5,687 | 3,588 |
| Community Park CCIF | 29 | 3,112 | 1,210 | 1,931 |
| Rivertown Trail | 65,925 | 156,688 | 190,342 | 32,271 |
| EDIT Construction | 273,792 | 2,146 | 62,192 | 213,746 |
| Wastewater - Petty Cash | 200 | - | - | 200 |
| Wastewater - Bond and Interest | 881,494 | 2,942,406 | 3,806,687 | 17,213 |
| Wastewater - Improvements | 698,709 | - | - | 698,709 |
| Wastewater - Debt Service Reserve | 2,228,493 | 291,461 | - | 2,519,954 |
| Wastewater - Cash Reserve | - | 460,000 | 460,000 | - |
| Wastewater - Operating | 589,111 | 16,897,462 | 16,413,800 | 1,072,773 |
| Wastewater - Construction | 1,105,818 | 156,338 | 605,396 | 656,760 |
| Totals | <u>\$ 6,970,593</u> | <u>\$ 25,912,321</u> | <u>\$ 26,049,767</u> | <u>\$ 6,833,147</u> |

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

TOWN OF NEWBURGH
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying financial statements present the financial information for the Town.

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

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

C. Cash and Investments

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

D. Receipts

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

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

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

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

TOWN OF NEWBURGH
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

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

Penalties which include fees received for late payments.

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

E. Disbursements

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

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

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

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

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

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

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

TOWN OF NEWBURGH
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

TOWN OF NEWBURGH
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

TOWN OF NEWBURGH
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Plan Description

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

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

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

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

Funding Policy

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

Note 7. Holding Corporation

The Town has entered into a capital lease with Newburgh Town Hall Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the Town. The lessor has been determined to be a related party of the Town. Lease payments during the years 2010 and 2011 totaled \$122,000, and \$120,000 respectively.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

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

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

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

TOWN OF NEWBURGH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

| | General | Motor Vehicle Highway | Local Road And Street | Donations | Federal Grants #1 | Rainy Day | Levy Excess | Boat Ramp | Community Park Ccif |
|--|-------------------|-----------------------------|--------------------------------|------------------|-------------------------|------------------|-----------------|------------------|---------------------------|
| Cash and investments - beginning | \$ 600,738 | \$ 22,786 | \$ 7,099 | \$ 15,206 | \$ 25,415 | \$ 24,558 | \$ 13,253 | \$ 19,213 | \$ 50 |
| Receipts: | | | | | | | | | |
| Taxes | 668,238 | - | - | - | - | - | - | - | - |
| Licenses and permits | 6,995 | - | - | - | - | - | - | - | - |
| Intergovernmental | 44,476 | 121,556 | 31,472 | - | 42,994 | - | - | - | - |
| Charges for services | 429,141 | - | - | - | - | - | - | 10,434 | - |
| Fines and forfeits | 4,029 | - | - | - | - | - | - | 25 | - |
| Utility fees | - | - | - | - | - | - | - | - | - |
| Penalties | - | - | - | - | - | - | - | - | - |
| Other receipts | 930,464 | - | 137 | 13,845 | - | 48,704 | 2,106 | 1,104 | 2,979 |
| Total receipts | 2,083,343 | 121,556 | 31,609 | 13,845 | 42,994 | 48,704 | 2,106 | 11,563 | 2,979 |
| Disbursements: | | | | | | | | | |
| Personal services | 911,504 | 86,514 | - | - | 4,995 | - | - | 444 | - |
| Supplies | 121,043 | 16,173 | 9,670 | 5,870 | - | - | - | 759 | - |
| Other services and charges | 588,883 | 26,020 | 2,824 | 4,372 | 17 | - | - | 5,638 | - |
| Debt service - principal and interest | 160,397 | - | - | - | - | - | - | - | - |
| Capital outlay | 1,854 | - | - | - | - | - | - | 1,375 | 3,000 |
| Utility operating expenses | - | - | - | - | - | - | - | - | - |
| Other disbursements | 322,979 | - | - | - | 63,395 | - | 13,253 | - | - |
| Total disbursements | 2,106,660 | 128,707 | 12,494 | 10,242 | 68,407 | - | 13,253 | 8,216 | 3,000 |
| Excess (deficiency) of receipts over disbursements | (23,317) | (7,151) | 19,115 | 3,603 | (25,413) | 48,704 | (11,147) | 3,347 | (21) |
| Cash and investments - ending | <u>\$ 577,421</u> | <u>\$ 15,635</u> | <u>\$ 26,214</u> | <u>\$ 18,809</u> | <u>\$ 2</u> | <u>\$ 73,262</u> | <u>\$ 2,106</u> | <u>\$ 22,560</u> | <u>\$ 29</u> |

TOWN OF NEWBURGH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

| | Deposits | Edit | Edit Bond Sinking | Enforcement Aid | Lock & Dam Park Ccif | Nvfa | Park Debt | Police Continuing Education |
|--|----------|------------|-------------------------|--------------------|----------------------------------|-------|--------------|-----------------------------------|
| Cash and investments - beginning | \$ 3,500 | \$ 122,536 | \$ - | \$ 1,740 | \$ 4,487 | \$ - | \$ 31 | \$ 6,754 |
| Receipts: | | | | | | | | |
| Taxes | - | 92,181 | 159,260 | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - | - | 1,820 |
| Intergovernmental | - | 12,989 | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - | 440 |
| Fines and forfeits | - | - | - | - | - | - | - | 2,020 |
| Utility fees | - | - | - | - | - | - | - | - |
| Penalties | - | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | 3,311 | 5,500 | - | - |
| Total receipts | - | 105,170 | 159,260 | - | 3,311 | 5,500 | - | 4,280 |
| Disbursements: | | | | | | | | |
| Personal services | - | - | - | - | - | - | - | - |
| Supplies | - | - | - | - | 732 | - | - | 4,901 |
| Other services and charges | - | 4,604 | - | 440 | 1,260 | 5,500 | - | 2,975 |
| Debt service - principal and interest | - | - | 159,260 | - | - | - | - | - |
| Capital outlay | - | 19,792 | - | - | - | - | - | - |
| Utility operating expenses | - | - | - | - | - | - | - | - |
| Other disbursements | - | - | - | - | - | - | - | - |
| Total disbursements | - | 24,396 | 159,260 | 440 | 1,992 | 5,500 | - | 7,876 |
| Excess (deficiency) of receipts over disbursements | - | 80,774 | - | (440) | 1,319 | - | - | (3,596) |
| Cash and investments - ending | \$ 3,500 | \$ 203,310 | \$ - | \$ 1,300 | \$ 5,806 | \$ - | \$ 31 | \$ 3,158 |

TOWN OF NEWBURGH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

| | Storm Water | Street Cut | Cumulative Capital Improvement | Cumulative Capital Development | Rivertown Trail | Edit Construction | Payroll | Wastewater - Operating |
|--|------------------|-----------------|--------------------------------------|--------------------------------------|--------------------|----------------------|------------------|---------------------------|
| Cash and investments - beginning | \$ 25,011 | \$ 4,053 | \$ 24,974 | \$ 39,533 | \$ 1,247 | \$ 350,581 | \$ 46,926 | \$ 324,918 |
| Receipts: | | | | | | | | |
| Taxes | - | - | - | 21,588 | - | - | - | - |
| Licenses and permits | 280 | - | - | - | - | - | - | - |
| Intergovernmental | - | - | 9,042 | 134 | 197,364 | 39,462 | - | - |
| Charges for services | 88,531 | - | - | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - | - | - |
| Utility fees | - | - | - | - | - | - | - | 6,398,858 |
| Penalties | - | - | - | - | - | - | - | 99,819 |
| Other receipts | 16,519 | - | - | - | 189,550 | 53 | 2,076,237 | 2,022,655 |
| Total receipts | <u>105,330</u> | <u>-</u> | <u>9,042</u> | <u>21,722</u> | <u>386,914</u> | <u>39,515</u> | <u>2,076,237</u> | <u>8,521,332</u> |
| Disbursements: | | | | | | | | |
| Personal services | 59,422 | - | - | - | - | - | - | - |
| Supplies | 14,525 | - | - | - | - | - | - | - |
| Other services and charges | 30,040 | - | - | - | 149,165 | 77,683 | - | - |
| Debt service - principal and interest | - | - | - | - | - | - | - | - |
| Capital outlay | 4,929 | - | 6,994 | - | 173,071 | 22,151 | - | - |
| Utility operating expenses | - | - | - | - | - | - | - | 3,588,487 |
| Other disbursements | - | - | - | - | - | 16,470 | 2,063,010 | 4,668,652 |
| Total disbursements | <u>108,916</u> | <u>-</u> | <u>6,994</u> | <u>-</u> | <u>322,236</u> | <u>116,304</u> | <u>2,063,010</u> | <u>8,257,139</u> |
| Excess (deficiency) of receipts over disbursements | <u>(3,586)</u> | <u>-</u> | <u>2,048</u> | <u>21,722</u> | <u>64,678</u> | <u>(76,789)</u> | <u>13,227</u> | <u>264,193</u> |
| Cash and investments - ending | <u>\$ 21,425</u> | <u>\$ 4,053</u> | <u>\$ 27,022</u> | <u>\$ 61,255</u> | <u>\$ 65,925</u> | <u>\$ 273,792</u> | <u>\$ 60,153</u> | <u>\$ 589,111</u> |

TOWN OF NEWBURGH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

| | Wastewater - Bond And Interest | Wastewater - Improvements | Wastewater - Construction | Wastewater - Petty Cash | Wastewater - Wwtp Expansion | Wastewater - Cash Reserve | Wastewater - Debt Service Reserve | Totals |
|--|---|------------------------------|------------------------------|-------------------------------|-----------------------------------|---------------------------------|--|---------------------|
| Cash and investments - beginning | \$ 1,517,189 | \$ 1,089,129 | \$ 4,131,137 | \$ 200 | \$ - | \$ - | \$ 1,925,291 | \$ 10,347,555 |
| Receipts: | | | | | | | | |
| Taxes | - | - | - | - | - | - | - | 941,267 |
| Licenses and permits | - | - | - | - | - | - | - | 9,095 |
| Intergovernmental | - | - | - | - | - | - | - | 499,489 |
| Charges for services | - | - | - | - | - | - | - | 528,546 |
| Fines and forfeits | - | - | - | - | - | - | - | 6,074 |
| Utility fees | - | - | - | - | - | - | - | 6,398,858 |
| Penalties | - | - | - | - | - | - | - | 99,819 |
| Other receipts | 15,364,668 | - | 3,101,817 | - | 12,051,590 | 460,000 | 357,451 | 36,648,690 |
| Total receipts | <u>15,364,668</u> | <u>-</u> | <u>3,101,817</u> | <u>-</u> | <u>12,051,590</u> | <u>460,000</u> | <u>357,451</u> | <u>45,131,838</u> |
| Disbursements: | | | | | | | | |
| Personal services | - | - | - | - | - | - | - | 1,062,879 |
| Supplies | - | - | - | - | - | - | - | 173,673 |
| Other services and charges | - | - | - | - | - | - | - | 899,421 |
| Debt service - principal and interest | 808,698 | - | - | - | - | - | - | 1,128,355 |
| Capital outlay | - | - | - | - | - | - | - | 233,166 |
| Utility operating expenses | - | - | - | - | - | - | - | 3,588,487 |
| Other disbursements | 15,191,665 | 390,420 | 6,127,136 | - | 12,051,590 | 460,000 | 54,249 | 41,422,819 |
| Total disbursements | <u>16,000,363</u> | <u>390,420</u> | <u>6,127,136</u> | <u>-</u> | <u>12,051,590</u> | <u>460,000</u> | <u>54,249</u> | <u>48,508,800</u> |
| Excess (deficiency) of receipts over disbursements | <u>(635,695)</u> | <u>(390,420)</u> | <u>(3,025,319)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>303,202</u> | <u>(3,376,962)</u> |
| Cash and investments - ending | <u>\$ 881,494</u> | <u>\$ 698,709</u> | <u>\$ 1,105,818</u> | <u>\$ 200</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,228,493</u> | <u>\$ 6,970,593</u> |

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

| | General | Motor Vehicle Highway | Local Road And Street | EDIT | Rainy Day | Levy Excess | Cumulative Capital Development | Cumulative Capital Improvement |
|--|-------------------|-----------------------------|--------------------------------|-------------------|------------------|-----------------|--------------------------------------|--------------------------------------|
| Cash and investments - beginning | \$ 577,421 | \$ 15,635 | \$ 26,214 | \$ 203,310 | \$ 73,262 | \$ 2,106 | \$ 61,255 | \$ 27,022 |
| Receipts: | | | | | | | | |
| Taxes | 934,203 | 37,865 | - | - | - | - | 31,149 | - |
| Licenses and permits | 14,093 | - | - | - | - | - | - | - |
| Intergovernmental | 228,100 | 84,871 | 30,924 | 63,142 | - | - | 365 | 8,868 |
| Charges for services | 339,959 | - | - | - | - | - | - | - |
| Fines and forfeits | 5,236 | - | - | - | - | - | - | - |
| Utility fees | - | - | - | - | - | - | - | - |
| Penalties | - | - | - | - | - | - | - | - |
| Other receipts | 905,461 | 48 | 810 | - | 264 | - | - | - |
| Total receipts | <u>2,427,052</u> | <u>122,784</u> | <u>31,734</u> | <u>63,142</u> | <u>264</u> | <u>-</u> | <u>31,514</u> | <u>8,868</u> |
| Disbursements: | | | | | | | | |
| Personal services | 841,903 | 83,396 | - | - | - | - | - | - |
| Supplies | 165,154 | 19,778 | 19,241 | - | - | - | - | - |
| Other services and charges | 661,811 | 14,952 | 4,145 | 4,650 | - | - | - | 300 |
| Debt service - principal and interest | 171,222 | - | - | - | - | - | - | - |
| Capital outlay | 29,544 | - | 2,285 | 4,545 | 10,400 | - | - | 2,678 |
| Utility operating expenses | - | - | - | - | - | - | - | - |
| Other disbursements | 303,112 | - | - | - | - | - | - | - |
| Total disbursements | <u>2,172,746</u> | <u>118,126</u> | <u>25,671</u> | <u>9,195</u> | <u>10,400</u> | <u>-</u> | <u>-</u> | <u>2,978</u> |
| Excess (deficiency) of receipts over disbursements | <u>254,306</u> | <u>4,658</u> | <u>6,063</u> | <u>53,947</u> | <u>(10,136)</u> | <u>-</u> | <u>31,514</u> | <u>5,890</u> |
| Cash and investments - ending | <u>\$ 831,727</u> | <u>\$ 20,293</u> | <u>\$ 32,277</u> | <u>\$ 257,257</u> | <u>\$ 63,126</u> | <u>\$ 2,106</u> | <u>\$ 92,769</u> | <u>\$ 32,912</u> |

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

| | Payroll | Specific Donations | Enforcement Aid | Police Continuing Ed | Boat Ramp | Storm Water | Street Cut | Deposits |
|--|-----------|--------------------|-----------------|----------------------|-----------|-------------|------------|----------|
| Cash and investments - beginning | \$ 60,153 | \$ 18,809 | \$ 1,300 | \$ 3,158 | \$ 22,560 | \$ 21,425 | \$ 4,053 | \$ 3,500 |
| Receipts: | | | | | | | | |
| Taxes | - | - | - | - | - | - | - | - |
| Licenses and permits | - | - | - | 1,410 | - | 360 | - | - |
| Intergovernmental | - | - | - | - | - | - | - | - |
| Charges for services | - | - | - | 135 | 1,156 | - | - | - |
| Fines and forfeits | - | - | - | 1,988 | 75 | 86,579 | - | - |
| Utility fees | - | - | - | - | - | - | - | - |
| Penalties | - | - | - | - | - | - | - | - |
| Other receipts | 1,950,353 | 20,998 | 1,200 | 336 | 8,892 | 12 | - | - |
| Total receipts | 1,950,353 | 20,998 | 1,200 | 3,869 | 10,123 | 86,951 | - | - |
| Disbursements: | | | | | | | | |
| Personal services | 1,947,313 | - | - | - | 62 | 58,138 | - | - |
| Supplies | - | 16,045 | 250 | 2,678 | 206 | 10,780 | - | - |
| Other services and charges | - | - | - | - | 260 | 14,602 | - | - |
| Debt service - principal and interest | - | - | - | - | - | - | - | - |
| Capital outlay | - | 4,138 | - | - | - | 476 | - | - |
| Utility operating expenses | - | - | - | - | - | - | - | - |
| Other disbursements | - | - | - | - | - | - | - | - |
| Total disbursements | 1,947,313 | 20,183 | 250 | 2,678 | 528 | 83,996 | - | - |
| Excess (deficiency) of receipts over disbursements | 3,040 | 815 | 950 | 1,191 | 9,595 | 2,955 | - | - |
| Cash and investments - ending | \$ 63,193 | \$ 19,624 | \$ 2,250 | \$ 4,349 | \$ 32,155 | \$ 24,380 | \$ 4,053 | \$ 3,500 |

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

| | Federal Grants #1 | EDIT Bond Sinking | Park Debt | Lock and Dam Park CCIF | Community Park CCIF | Rivertown Trail | EDIT Construction | Wastewater - Petty Cash |
|---|-------------------------|-------------------------|--------------|------------------------------------|---------------------------|--------------------|----------------------|-------------------------------|
| Cash and investments - beginning | \$ 2 | \$ - | \$ 31 | \$ 5,806 | \$ 29 | \$ 65,925 | \$ 273,792 | \$ 200 |
| Receipts: | | | | | | | | |
| Taxes | - | 159,260 | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - | - | - |
| Intergovernmental | 81,127 | - | - | - | - | 108,099 | 2,120 | - |
| Charges for services | - | - | - | 3,469 | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - | - | - |
| Utility fees | - | - | - | - | - | - | - | - |
| Penalties | - | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | 3,112 | 48,589 | 26 | - |
| Total receipts | 81,127 | 159,260 | - | 3,469 | 3,112 | 156,688 | 2,146 | - |
| Disbursements: | | | | | | | | |
| Personal services | 3,751 | - | - | - | - | - | - | - |
| Supplies | - | - | - | - | - | - | - | - |
| Other services and charges | 50,000 | - | - | 5,687 | - | 175,008 | 22,051 | - |
| Debt service - principal and interest | - | 29,260 | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | 1,210 | 15,334 | 40,141 | - |
| Utility operating expenses | - | - | - | - | - | - | - | - |
| Other disbursements | 27,378 | - | - | - | - | - | - | - |
| Total disbursements | 81,129 | 29,260 | - | 5,687 | 1,210 | 190,342 | 62,192 | - |
| Excess (deficiency) of receipts over disbursements | (2) | 130,000 | - | (2,218) | 1,902 | (33,654) | (60,046) | - |
| Cash and investments - ending | \$ - | \$ 130,000 | \$ 31 | \$ 3,588 | \$ 1,931 | \$ 32,271 | \$ 213,746 | \$ 200 |

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

| | Wastewater - Bond and Interest | Wastewater - Improvements | Wastewater - Debt Service Reserve | Wastewater - Cash Reserve | Wastewater - Operating | Wastewater - Construction | Totals |
|--|---|------------------------------|--|---------------------------------|---------------------------|------------------------------|---------------------|
| Cash and investments - beginning | \$ 881,494 | \$ 698,709 | \$ 2,228,493 | \$ - | \$ 589,111 | \$ 1,105,818 | \$ 6,970,593 |
| Receipts: | | | | | | | |
| Taxes | - | - | - | - | - | - | 1,162,477 |
| Licenses and permits | - | - | - | - | - | - | 15,863 |
| Intergovernmental | - | - | - | - | - | - | 607,616 |
| Charges for services | - | - | - | - | - | - | 344,719 |
| Fines and forfeits | - | - | - | - | - | - | 93,878 |
| Utility fees | - | - | - | - | 8,676,236 | - | 8,676,236 |
| Penalties | - | - | - | - | 124,133 | - | 124,133 |
| Other receipts | 2,942,406 | - | 291,461 | 460,000 | 8,097,093 | 156,338 | 14,887,399 |
| Total receipts | <u>2,942,406</u> | <u>-</u> | <u>291,461</u> | <u>460,000</u> | <u>16,897,462</u> | <u>156,338</u> | <u>25,912,321</u> |
| Disbursements: | | | | | | | |
| Personal services | - | - | - | - | - | - | 2,934,563 |
| Supplies | - | - | - | - | - | - | 234,132 |
| Other services and charges | - | - | - | - | - | - | 953,466 |
| Debt service - principal and interest | 3,628,992 | - | - | - | - | - | 3,829,474 |
| Capital outlay | - | - | - | - | 7,507,319 | 449,235 | 8,067,305 |
| Utility operating expenses | - | - | - | - | 3,323,529 | - | 3,323,529 |
| Other disbursements | 177,695 | - | - | 460,000 | 5,582,952 | 156,161 | 6,707,298 |
| Total disbursements | <u>3,806,687</u> | <u>-</u> | <u>-</u> | <u>460,000</u> | <u>16,413,800</u> | <u>605,396</u> | <u>26,049,767</u> |
| Excess (deficiency) of receipts over disbursements | <u>(864,281)</u> | <u>-</u> | <u>291,461</u> | <u>-</u> | <u>483,662</u> | <u>(449,058)</u> | <u>(137,446)</u> |
| Cash and investments - ending | <u>\$ 17,213</u> | <u>\$ 698,709</u> | <u>\$ 2,519,954</u> | <u>\$ -</u> | <u>\$ 1,072,773</u> | <u>\$ 656,760</u> | <u>\$ 6,833,147</u> |

TOWN OF NEWBURGH
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2011

| <u>Government or Enterprise</u> | <u>Accounts Payable</u> | <u>Accounts Receivable</u> |
|---------------------------------|-----------------------------|--------------------------------|
| Wastewater Utility | <u>\$ 222,533</u> | <u>\$ 467,433</u> |
| Totals | <u>\$ 222,533</u> | <u>\$ 467,433</u> |

TOWN OF NEWBURGH
SCHEDULE OF LEASES AND DEBT
December 31, 2011

| Lessor | Purpose | Annual Lease Payment | Lease Beginning Date | Lease Ending Date |
|---|---------------------|----------------------------|----------------------------|-------------------------|
| Governmental activities: | | | | |
| Old National Bank | 2004 Fire Equipment | \$ 18,827 | 05-12-04 | 05-12-14 |
| Newburgh Town Hall Building Corporation | 2005 Town Hall | <u>117,000</u> | 07-15-06 | 01-15-26 |
| Total of annual lease payments | | <u>\$ 135,827</u> | | |

| Description of Debt | | Ending Principal Balance | Principal and Interest Due Within One Year |
|-------------------------------|---------------|--------------------------------|---|
| Type | Purpose | | |
| Governmental activities: | | | |
| Revenue Bonds | 2008 EDIT | <u>\$ 720,000</u> | <u>\$ 12,030</u> |
| Total governmental activities | | <u>720,000</u> | <u>12,030</u> |
| Wastewater Utility: | | | |
| Revenue Bonds | 2002 revenue | 3,485,000 | 292,710 |
| Revenue Bonds | 2005 revenue | 3,345,000 | 278,030 |
| Revenue Bonds | 2008 revenue | 7,430,000 | 359,538 |
| State Revolving Loan | 1998 series A | 1,120,000 | 184,200 |
| State Revolving Loan | 1999 series B | 3,705,000 | 519,675 |
| State Revolving Loan | 1999 series C | 485,000 | 66,975 |
| State Revolving Loan | 2001 series A | 510,000 | 77,850 |
| State Revolving Loan | 2009 | <u>16,340,806</u> | <u>1,165,392</u> |
| Total Wastewater Utility | | <u>36,420,806</u> | <u>2,944,370</u> |
| Totals | | <u>\$ 37,140,806</u> | <u>\$ 2,956,400</u> |

TOWN OF NEWBURGH
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2011

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

| | Ending Balance |
|---|-------------------|
| Governmental activities: | |
| Land | \$ 542,612 |
| Infrastructure | 339,336 |
| Buildings | 4,049,461 |
| Improvements other than buildings | 2,269,229 |
| Machinery, equipment and vehicles | 1,669,234 |
| Total governmental activities | 8,869,872 |
| Wastewater Utility: | |
| Land | 778,459 |
| Buildings and improvements other than buildings | 52,408,204 |
| Machinery, equipment and vehicles | 2,427,541 |
| Construction in progress | 26,010,191 |
| Total Wastewater Utility | 81,624,395 |
| Total capital assets | \$ 90,494,267 |

TOWN OF NEWBURGH
AUDIT RESULT AND COMMENT

SALARIES NOT PAYABLE IN ADVANCE (Applies to Town)

Employees are paid for paid time off (PTO) prior to earning it as allowed by the Town's Personnel Policy.

Salaries and wages of public officers may not be paid in advance. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-7-3-1 states: "(a) Public officers may not draw or receive their salaries in advance. (b) This section does not prohibit a payment under IC 36-4-8-9."

Indiana Code 36-4-8-9 states:

"One (1) to three (3) days before the vacation leave period of a city officer or employee begins, the city may pay him the amount of compensation he will earn while he is on vacation leave. (b) Compensation for services paid to a salaried city officer or employee pursuant to a fixed schedule set forth in a written contract or salary ordinance shall not be construed as having been paid in advance. Under such an arrangement, the city shall maintain records to verify that actual work is performed for all salary paid."

Each governmental unit should adopt a written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing board would be considered as written policy. The policy should conform to the requirements of all state and federal regulatory agencies. (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 THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF NEWBURGH, WARRICK COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Newburgh (Town) 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 years ended December 31, 2010 and 2011. The Town'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 Town's management. Our responsibility is to express an opinion on the Town'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 Town'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 Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2010 and 2011.

Internal Control Over Compliance

Management of the Town 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 Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Town's management, Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 24, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

TOWN OF NEWBURGH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2010 and 2011

| Federal Grantor Agency/Pass-Through Entity Program Title/Project Title | Federal CFDA Number | Pass-Through Entity (or Other) Identifying Number | Total Federal Awards Expended 12-31-10 | Total Federal Awards Expended 12-31-11 |
|---|---------------------------|--|---|---|
| <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | | |
| Pass-Through Indiana Office of Community and Rural Affairs | | | | |
| State Administered CDBG Cluster | | | | |
| Community Development Block Grant/State's Program and Non Entitlement Grants in Hawaii | 14.228 | | | |
| Community Focus Fund Planning Grant | | PL-09-029 | \$ - | \$ 50,000 |
| Total for federal grantor agency | | | - | 50,000 |
| <u>U.S. DEPARTMENT OF INTERIOR</u> | | | | |
| Pass-Through Indiana Department of Natural Resources | | | | |
| Historic Preservation Fund Grants-In-Aid | | | | |
| Commission Assistance and Mentoring Program (CAMP), HPF Cooperative Agreement | 15.904 | 21921-CA-8 | - | 11,000 |
| Total for federal grantor agency | | | - | 11,000 |
| <u>U.S. DEPARTMENT OF JUSTICE</u> | | | | |
| Direct Grant | | | | |
| Bulletproof Vest Partnership Program | 16.607 | BUBX10053537 | 1,040 | - |
| Total for federal grantor agency | | | 1,040 | - |
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u> | | | | |
| Pass-Through Indiana Department of Transportation | | | | |
| Highway Planning and Construction Cluster | | | | |
| Highway Planning and Construction Surface Transportation Program | 20.205 | BIKE(046) DES#0901281 DES#0710849 | 1,229 - 1,850,850 | - 240,062 214,051 |
| Hazard Elimination Safety | | HES-9987 | 465,224 | 1,275 |
| ARRA - Highway Planning and Construction | 20.205 | DES#0901281 | 810,652 | 57,769 |
| Total for cluster | | | 3,127,955 | 513,157 |
| Pass-Through Indiana Criminal Justice Institute | | | | |
| Highway Safety Cluster | | | | |
| State and Community Highway Safety Operation Pullover Seat Belt Enforcement | 20.600 | OP-10-02-02-11 OP-11-02-01-93 | 3,750 1,250 | - 3,749 |
| Total for cluster | | | 5,000 | 3,749 |
| Total for federal grantor agency | | | 3,132,955 | 516,906 |
| <u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u> | | | | |
| Pass-Through Indiana Finance Authority | | | | |
| Capitalization Grant for Clean Water State Revolving Funds | 66.458 | WW06598705 | 2,313,994 | 4,355,859 |
| ARRA - Capitalization Grant for Clean Water State Revolving Funds | 66.458 | WW06598705 | 1,334,420 | - |
| Total for federal grantor agency | | | 3,648,414 | 4,355,859 |
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u> | | | | |
| Pass-Through Indiana Department of Homeland Security | | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | 1997 | - | 50,927 |
| Total for federal grantor agency | | | - | 50,927 |
| Total federal awards expended | | | \$ 6,782,409 | \$ 4,984,692 |

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

TOWN OF NEWBURGH
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 Town of Newburgh (Town) 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.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of Towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF NEWBURGH
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 deficiency identified? | none reported |
| Noncompliance material to financial statements noted? | no |

Federal Awards:

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

Identification of Major Programs:

| CFDA Number | Name of Federal Program or Cluster |
|----------------|---|
| 66.458 | Highway Planning and Construction Cluster Capitalization Grant for Clean Water State Revolving Funds |

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.

TOWN OF NEWBURGH
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF NEWBURGH
EXIT CONFERENCE

The contents of this report were discussed on May 24, 2012, with Rebecca J. Gentry, Clerk-Treasurer; Susan Helms, Utility Office Manager; Cynthia Burger, Town Manager; Leanna Hughes, President of the Town Council, Alonzo B. Moore, Jr., Board member; and Marilyn Doyle, Deputy Clerk-Treasurer. The officials concurred with our audit findings.