

B40643

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF NEW CASTLE  
HENRY COUNTY, INDIANA

January 1, 2011 to December 31, 2011



**FILED**  
07/30/2012



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janice L Lavarney Christy York	01-01-08 to 12-31-11 01-01-12 to 12-31-15
Mayor	James Small Greg York	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Board of Public Works and Safety	James Small Greg York	01-01-11 to 12-31-12 01-01-12 to 12-31-15
President of the Common Council	Sandra York Mark Koger	01-01-11 to 12-31-11 01-01-12 to 12-31-12
Utility Office Manager	Cary Plummer Janice Burns	02-01-10 to 12-18-11 12-19-11 to 12-31-12



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the City of New Castle (City), for the year ended December 31, 2011. This financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free 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 City'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 statement. 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 opinion.

As discussed in Note 1, the City prepares its financial statement 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.

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

In accordance with Government Auditing Standards, we have also issued a report dated June 25, 2012, 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  
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

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

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

June 25, 2012



**STATE OF INDIANA**  
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STATE BOARD OF ACCOUNTS  
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statement of the City of New Castle (City), for the year ended December 31, 2011, and have issued our report thereon dated June 25, 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 City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 statement 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 THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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, 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

June 25, 2012

## FINANCIAL STATEMENT

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

CITY OF NEW CASTLE  
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	\$ 2,131,847	\$ 10,968,705	\$ 12,947,840	\$ 152,712
MOTOR VEHICLE HIGHWAY	53,040	581,307	535,456	98,891
LOCAL ROAD AND STREET	337,537	265,156	282,117	320,576
AVIATION NON-REVERTING	35,919	12,483	5,739	42,663
GARNER & EASTSIDE BOND	92,113	39,880	139,834	(7,841)
PARK N/R	-	25,225	2,654	22,571
SANITATION OPERATING	118,374	1,032,787	1,020,431	130,730
TRANSPORTATION	59,641	361,267	369,647	51,261
POLICE ED	45,578	19,717	19,932	45,363
CLERK'S RECORD PERPET.	3,256	1,068	-	4,324
RIVERBOAT	-	111,268	-	111,268
RAINY DAY FUND	438,065	-	-	438,065
POLICE FED SHARING N/R	-	4,765	-	4,765
LEVY EXCESS	19,291	-	19,291	-
NORTHFIELD TIF	134,773	62,852	62,077	135,548
CUMULATIVE CAPITAL IMPROVEMENT	75,510	51,060	43,038	83,532
CUMULATIVE CAPITAL DEVELOPMENT	215,695	215,368	144,652	286,411
SE/DOWNTOWN (TIF)N/R	143,531	462,700	258,352	347,879
HEALTH INS. CUM.	39,369	4,100,874	4,131,245	8,998
POLICE PENSION	199,151	986,358	727,638	457,871
FIRE PENSION	295,128	498,597	509,064	284,661
POLICE CANINE DONATION	485	-	-	485
POLICE ASSISTANCE	28,685	7,162	23,879	11,968
20.509 TRANSPORT. ARRA	-	64,288	64,348	(60)
SIDEWALK/CRR N/R	1,604	-	955	649
FIREMAN FUND AWARD	5,600	-	1,500	4,100
FIRE DOG DONATION	-	1,176	598	578
AQUATIC CNTR N/R	16,010	100	1,945	14,165
FIRST AID UNIT DONATION	1,232	26,505	5,809	21,928
MAYOR DONATION	30	-	-	30
CITY CENTER NON-REVERT	4,060	13,579	16,796	843
FIRE DEPT ASSISTANCE	710	-	-	710
FIRE DONATION	1,188	62	681	569
CEMETERY OPTIONS	9,708	6,315	3,400	12,623
CEMETERY NON-REVERT	24,596	-	-	24,596
RETIREE B/C	227	17,084	17,311	-
DEMOLITION	8,509	825	-	9,334
OPERATION PULLOVER	223	5,605	5,553	275
CUM. POOL NON-REVERT	47,735	30,267	36,814	41,188
1ST AID RECOVERY N/R	76,307	536,921	569,958	43,270
FIRE DONATION SHOP W/FIRE	614	19,016	15,428	4,202
PARK/POOL BOND BALANCE	7,357	2,773	7,631	2,499
POOL BOND & INTERST	70,875	172,737	177,005	66,607
N/R STREET & ROAD FUND	7,974	300	-	8,274
POLICE SERVICES N/R	-	11,020	4,345	6,675
SHSP GRANT	-	-	35,730	(35,730)
FIRE-HC FOUNDATION GRANTS	-	11,400	11,400	-
TOWNSHIP FIRE NON-REVERT	260,084	92,211	107,714	244,581
DOWNTOWN NON-REVERT	116	8,527	8,527	116
NORTHFIELD DEBT SER./ESCR	49,086	142	-	49,228
PERPETUAL MAINTENANCE	197,921	41,625	51,241	188,305
MAUSOLEUM NON-REVERT	235	-	-	235
14.228 COM. DEVLPMNT-STAR	-	7,625	7,625	-
14.228 PLNING GRANT-DWNTN	-	18,080	18,080	-
LAW ENF FUND NON/REV	8,358	40	8,398	-
14.228 HOMEOWNER GRANT	-	174,500	174,500	-
DRUG RECOVERY	-	8,844	8,419	425
14.228 COMM. STELLAR GRANT	-	10,000	10,000	-
14.228 NSP 1 DNTN & HSING	-	1,047,929	1,046,733	1,196
20.600 INDOT SIGN GRANT	-	78,350	108,500	(30,150)
20.509 INDOT GRANT GARNER	-	113,113	129,755	(16,642)
GARNER ST. BOND & INTEREST	-	114,406	114,406	-
GARNER STREET DEBT RESERVE	86,000	-	-	86,000
NORTHFIELD BOND & INTEREST	-	92,852	92,852	-
PAYROLL	270,077	8,566,561	8,699,864	136,774
CEMETERY SAVINGS ACCOUNTS	4,300	-	-	4,300
FLEX HEALTH SAVING ACCOUNT	10,236	4,628	4,729	10,135
STORM WATER N/R (W/W)	328,853	4,079,631	2,383,935	2,024,549
WASTEWATER OPERATING	90,890	4,145,263	4,122,912	113,241
WASTEWATER BOND & INTEREST	214,481	803,440	682,000	335,921
WASTEWATER DEBT SERVICE	691,584	-	-	691,584
WATER OPERATING	56,593	2,619,397	2,546,493	129,497
WATER METER DEPOSITS	56,900	30,300	26,300	60,900
WATER DEBT SERVICE	85,500	-	-	85,500
WATER BOND & INTEREST	-	256,454	236,107	20,347
WATER CONSTRUCTION	19,514	-	-	19,514
WATER HYDRANT	33,907	8,448	42,355	-
SPECIAL UTILITIES	75	418,862	416,188	2,749
UTILITIES CC ACCOUNT	-	74,934	69,033	5,901
Totals	<u>\$ 7,216,257</u>	<u>\$ 43,544,734</u>	<u>\$ 43,336,759</u>	<u>\$ 7,424,232</u>

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

CITY OF NEW CASTLE  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

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

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

*B. Basis of Accounting*

The financial statement is 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 statement. The aggregate receipts may include, but are not limited to, 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 City.

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,

CITY OF NEW CASTLE  
NOTES TO FINANCIAL STATEMENT  
(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.

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 statement. The aggregate disbursements may include, but are not limited to, 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 City. It includes all expenditures for the reduction of the principal and interest of the City'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.

CITY OF NEW CASTLE  
NOTES TO FINANCIAL STATEMENT  
(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 City 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 City. 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 City. 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 City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

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

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's 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.

CITY OF NEW CASTLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**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.

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

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City 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 City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

CITY OF NEW CASTLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

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

*B. 1925 Police Officers' Pension Plan*

*Plan Description*

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

*Funding Policy*

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

*On Behalf Payments*

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under Indiana Code 5-10.3-11.

*C. 1937 Firefighters' Pension Plan*

*Plan Description*

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). 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 Indiana Code 5-10.3-11.

CITY OF NEW CASTLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*D. 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 City are established by the Board of Trustees of INPRS.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City'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 statement contained in this report and the financial information presented in the Annual Report of the City which is 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 prepared and/or approved by management of the City. It is presented as intended by the City.

CITY OF NEW CASTLE  
 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	AVIATION NON-REVERTING	GARNER & EASTSIDE BOND	PARK N/R	SANITATION OPERATING	TRANSPORTATION
Cash and investments - beginning	\$ 2,131,847	\$ 53,040	\$ 337,537	\$ 35,919	\$ 92,113	\$ -	\$ 118,374	\$ 59,641
Receipts:								
Taxes	5,076,498	7,615	182,713	12,301	-	-	-	27,237
Licenses and permits	135,649	-	-	-	-	-	-	-
Intergovernmental	2,324,820	468,044	82,443	182	-	-	-	317,180
Charges for services	1,289,634	-	-	-	-	-	1,032,787	16,850
Fines and forfeits	46,158	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	2,095,946	105,648	-	-	39,880	25,225	-	-
Total receipts	10,968,705	581,307	265,156	12,483	39,880	25,225	1,032,787	361,267
Disbursements:								
Personal services	7,529,642	228,517	-	-	-	-	-	281,140
Supplies	272,308	89,719	101,738	-	-	-	-	49,082
Other services and charges	1,621,800	114,329	180,379	5,739	-	-	1,020,431	39,425
Debt service - principal and interest	-	-	-	-	132,317	-	-	-
Capital outlay	5,094	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	3,518,996	102,891	-	-	7,517	2,654	-	-
Total disbursements	12,947,840	535,456	282,117	5,739	139,834	2,654	1,020,431	369,647
Excess (deficiency) of receipts over disbursements	(1,979,135)	45,851	(16,961)	6,744	(99,954)	22,571	12,356	(6,380)
Cash and investments - ending	\$ 152,712	\$ 98,891	\$ 320,576	\$ 42,663	\$ (7,841)	\$ 22,571	\$ 130,730	\$ 51,261

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

	POLICE ED	CLERK'S RECORD PERPET.	RIVERBOAT	RAINY DAY FUND	POLICE FED SHARING N/R	LEVY EXCESS	NORTHFIELD TIF	CUMULATIVE CAPITAL IMPROVEMENT
Cash and investments - beginning	\$ 45,578	\$ 3,256	\$ -	\$ 438,065	\$ -	\$ 19,291	\$ 134,773	\$ 75,510
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	111,268	-	-	-	62,852	51,060
Charges for services	11,338	1,068	-	-	-	-	-	-
Fines and forfeits	7,614	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	765	-	-	-	4,765	-	-	-
Total receipts	19,717	1,068	111,268	-	4,765	-	62,852	51,060
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	15,734	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	62,077	43,038
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	4,198	-	-	-	-	19,291	-	-
Total disbursements	19,932	-	-	-	-	19,291	62,077	43,038
Excess (deficiency) of receipts over disbursements	(215)	1,068	111,268	-	4,765	(19,291)	775	8,022
Cash and investments - ending	\$ 45,363	\$ 4,324	\$ 111,268	\$ 438,065	\$ 4,765	\$ -	\$ 135,548	\$ 83,532

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

	CUMULATIVE CAPITAL DEVELOPMENT	SE/DOWNTOWN (TIF)/N/R	HEALTH INS. CUM.	POLICE PENSION	FIRE PENSION	POLICE CANINE DONATION	POLICE ASSISTANCE	20.509 TRANSPORT. ARRA
Cash and investments - beginning	\$ 215,695	\$ 143,531	\$ 39,369	\$ 199,151	\$ 295,128	\$ 485	\$ 28,685	\$ -
Receipts:								
Taxes	140,579	-	-	234,005	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	2,311	462,700	-	752,353	498,597	-	-	64,288
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	72,478	-	4,100,874	-	-	-	7,162	-
Total receipts	215,368	462,700	4,100,874	986,358	498,597	-	7,162	64,288
Disbursements:								
Personal services	-	-	-	2,500	2,600	-	-	-
Supplies	-	-	-	-	92	-	-	-
Other services and charges	-	-	4,131,245	725,138	506,372	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	144,652	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	258,352	-	-	-	-	23,879	64,348
Total disbursements	144,652	258,352	4,131,245	727,638	509,064	-	23,879	64,348
Excess (deficiency) of receipts over disbursements	70,716	204,348	(30,371)	258,720	(10,467)	-	(16,717)	(60)
Cash and investments - ending	\$ 286,411	\$ 347,879	\$ 8,998	\$ 457,871	\$ 284,661	\$ 485	\$ 11,968	\$ (60)

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

	SIDEWALK/CRR N/R	FIREMAN FUND AWARD	FIRE DOG DONATION	AQUATIC CNTR N/R	FIRST AID UNIT DONATION	MAYOR DONATION	CITY CENTER NON-REVERT	FIRE DEPT ASSISTANCE
Cash and investments - beginning	\$ 1,604	\$ 5,600	\$ -	\$ 16,010	\$ 1,232	\$ 30	\$ 4,060	\$ 710
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	13,579	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	-	1,176	100	26,505	-	-	-
Total receipts	-	-	1,176	100	26,505	-	13,579	-
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	16,796	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	955	1,500	598	1,945	5,809	-	-	-
Total disbursements	955	1,500	598	1,945	5,809	-	16,796	-
Excess (deficiency) of receipts over disbursements	(955)	(1,500)	578	(1,845)	20,696	-	(3,217)	-
Cash and investments - ending	\$ 649	\$ 4,100	\$ 578	\$ 14,165	\$ 21,928	\$ 30	\$ 843	\$ 710

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

	FIRE DONATION	CEMETERY OPTIONS	CEMETERY NON-REVERT	RETIREE B/C	DEMOLITION	OPERATION PULLOVER	CUM. POOL NON-REVERT	1ST AID RECOVERY N/R
Cash and investments - beginning	\$ 1,188	\$ 9,708	\$ 24,596	\$ 227	\$ 8,509	\$ 223	\$ 47,735	\$ 76,307
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	6,315	-	-	825	5,605	30,156	536,921
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	62	-	-	17,084	-	-	111	-
Total receipts	62	6,315	-	17,084	825	5,605	30,267	536,921
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	3,400	-	-	-	-	-	569,958
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	36,814	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	681	-	-	17,311	-	5,553	-	-
Total disbursements	681	3,400	-	17,311	-	5,553	36,814	569,958
Excess (deficiency) of receipts over disbursements	(619)	2,915	-	(227)	825	52	(6,547)	(33,037)
Cash and investments - ending	\$ 569	\$ 12,623	\$ 24,596	\$ -	\$ 9,334	\$ 275	\$ 41,188	\$ 43,270

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

	FIRE DONATION SHOP W/FIRE	PARK/POOL BOND BALANCE	POOL BOND & INTERST	N/R STREET & ROAD & ROAD FUND	POLICE SERVICES N/R	SHSP GRANT	FIRE-HC FOUNDATION GRANTS	TOWNSHIP FIRE NON-REVERT
Cash and investments - beginning	\$ 614	\$ 7,357	\$ 70,875	\$ 7,974	\$ -	\$ -	\$ -	\$ 260,084
Receipts:								
Taxes	-	-	154,882	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	2,773	13,813	-	-	-	11,400	-
Charges for services	-	-	-	-	-	-	-	92,211
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	19,016	-	4,042	300	11,020	-	-	-
Total receipts	19,016	2,773	172,737	300	11,020	-	11,400	92,211
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	7,631	-	-	-	-	-	-
Debt service - principal and interest	-	-	177,005	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	15,428	-	-	-	4,345	35,730	11,400	107,714
Total disbursements	15,428	7,631	177,005	-	4,345	35,730	11,400	107,714
Excess (deficiency) of receipts over disbursements	3,588	(4,858)	(4,268)	300	6,675	(35,730)	-	(15,503)
Cash and investments - ending	\$ 4,202	\$ 2,499	\$ 66,607	\$ 8,274	\$ 6,675	\$ (35,730)	\$ -	\$ 244,581

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

	DOWNTOWN NON-REVERT	NORTHFIELD DEBT SER./ESCR	PERPETUAL MAINTENANCE	MAUSOLEUM NON-REVERT	14.228 COM. DEVLPMNT-STAR	14.228 PLNING GRANT-DWNTN	LAW ENF FUND NON/REV	14.228 HOMEOWNER GRANT
Cash and investments - beginning	\$ 116	\$ 49,086	\$ 197,921	\$ 235	\$ -	\$ -	\$ 8,358	\$ -
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	7,625	18,080	-	174,500
Charges for services	-	-	41,625	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	8,527	142	-	-	-	-	40	-
Total receipts	8,527	142	41,625	-	7,625	18,080	40	174,500
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	8,527	-	51,241	-	7,625	18,080	8,398	174,500
Total disbursements	8,527	-	51,241	-	7,625	18,080	8,398	174,500
Excess (deficiency) of receipts over disbursements	-	142	(9,616)	-	-	-	(8,358)	-
Cash and investments - ending	\$ 116	\$ 49,228	\$ 188,305	\$ 235	\$ -	\$ -	\$ -	\$ -

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

	DRUG RECOVERY	14.228 COMM. STELLAR GRANT	14.228 NSP 1 DNTN & HSING	20.600 INDOT SIGN GRANT	20.509 INDOT GRANT GARNER	GARNER ST. BOND & INTEREST	GARNER STREET DEBT RESERVE	NORTHFIELD BOND & INTEREST
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,000	\$ -
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	8,844	10,000	1,047,929	78,350	113,113	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	114,406	-	92,852
Total receipts	8,844	10,000	1,047,929	78,350	113,113	114,406	-	92,852
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	114,406	-	92,852
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	8,419	10,000	1,046,733	108,500	129,755	-	-	-
Total disbursements	8,419	10,000	1,046,733	108,500	129,755	114,406	-	92,852
Excess (deficiency) of receipts over disbursements	425	-	1,196	(30,150)	(16,642)	-	-	-
Cash and investments - ending	\$ 425	\$ -	\$ 1,196	\$ (30,150)	\$ (16,642)	\$ -	\$ 86,000	\$ -

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

	PAYROLL	CEMETERY SAVINGS ACCOUNTS	FLEX HEALTH SAVING ACCOUNT	STORM WATER N/R (W/W)	WASTEWATER OPERATING	WASTEWATER BOND & INTEREST	WASTEWATER DEBT SERVICE	WATER OPERATING
Cash and investments - beginning	\$ 270,077	\$ 4,300	\$ 10,236	\$ 328,853	\$ 90,890	\$ 214,481	\$ 691,584	\$ 56,593
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	4,079,631	4,145,263	-	-	2,619,397
Other receipts	8,566,561	-	4,628	-	-	803,440	-	-
Total receipts	8,566,561	-	4,628	4,079,631	4,145,263	803,440	-	2,619,397
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	2,383,935	4,122,912	682,000	-	2,546,493
Other disbursements	8,699,864	-	4,729	-	-	-	-	-
Total disbursements	8,699,864	-	4,729	2,383,935	4,122,912	682,000	-	2,546,493
Excess (deficiency) of receipts over disbursements	(133,303)	-	(101)	1,695,696	22,351	121,440	-	72,904
Cash and investments - ending	\$ 136,774	\$ 4,300	\$ 10,135	\$ 2,024,549	\$ 113,241	\$ 335,921	\$ 691,584	\$ 129,497

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

	WATER METER DEPOSITS	WATER DEBT SERVICE	WATER BOND & INTEREST	WATER CONSTRUCTION	WATER HYDRANT	SPECIAL UTILITIES	UTILITIES CC ACCOUNT	Totals
Cash and investments - beginning	\$ 56,900	\$ 85,500	\$ -	\$ 19,514	\$ 33,907	\$ 75	\$ -	\$ 7,216,257
Receipts:								
Taxes	-	-	-	-	-	-	-	5,835,830
Licenses and permits	-	-	-	-	-	-	-	135,649
Intergovernmental	-	-	-	-	-	-	-	6,684,525
Charges for services	-	-	-	-	-	-	-	3,078,914
Fines and forfeits	-	-	-	-	-	-	-	53,772
Utility fees	30,300	-	-	-	8,448	418,862	74,934	11,376,835
Other receipts	-	-	256,454	-	-	-	-	16,379,209
Total receipts	30,300	-	256,454	-	8,448	418,862	74,934	43,544,734
Disbursements:								
Personal services	-	-	-	-	-	-	-	8,044,399
Supplies	-	-	-	-	-	-	-	528,673
Other services and charges	-	-	-	-	-	-	-	8,942,643
Debt service - principal and interest	-	-	-	-	-	-	-	516,580
Capital outlay	-	-	-	-	-	-	-	291,675
Utility operating expenses	26,300	-	236,107	-	42,355	416,188	69,033	10,525,323
Other disbursements	-	-	-	-	-	-	-	14,487,466
Total disbursements	26,300	-	236,107	-	42,355	416,188	69,033	43,336,759
Excess (deficiency) of receipts over disbursements	4,000	-	20,347	-	(33,907)	2,674	5,901	207,975
Cash and investments - ending	\$ 60,900	\$ 85,500	\$ 20,347	\$ 19,514	\$ -	\$ 2,749	\$ 5,901	\$ 7,424,232

CITY OF NEW CASTLE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2011

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	\$ 919,872	\$ 180,571
(2) 2010 Braun Chief XL Type III Ambulances	326,488	117,857
(1) LaBrie Trash Truck	296,159	50,508
Bonds payable:		
General obligation bonds:		
Park District Bonds 2006	1,655,000	172,963
Garner/Eastside Bonds 2009	830,000	112,533
Revenue bonds:		
NC Redevelopment TIF Bonds 2009	<u>475,000</u>	<u>47,672</u>
Total governmental activities debt	<u>\$ 4,502,519</u>	<u>\$ 682,104</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
Waterworks Revenue Bonds 2006	<u>\$ 550,000</u>	<u>\$ -</u>
Total Water Utility	<u>550,000</u>	<u>-</u>
Wastewater Utility:		
Revenue bonds:		
Sewage Works Revenue Bonds 2006	1,740,000	155,334
Sewage Works Revenue Bonds SRF 2000	<u>4,885,000</u>	<u>526,665</u>
Total Wastewater Utility	<u>6,625,000</u>	<u>681,999</u>
Total business-type activities debt	<u>\$ 7,175,000</u>	<u>\$ 681,999</u>

CITY OF NEW CASTLE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended 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.

<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	5,920,478
Construction in progress	<u>1,621,158</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 15,382,296</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets:	
Land	\$ 325,082
Infrastructure	504,398
Buildings	978,366
Improvements other than buildings	10,583,721
Machinery and equipment	<u>1,808,294</u>
 Total Water Utility capital assets	 <u>14,199,861</u>
 Wastewater Utility:	
Capital assets:	
Land	39,513
Infrastructure	6,425,708
Buildings	16,922,473
Improvements other than buildings	25,625,645
Machinery and equipment	<u>4,232,614</u>
 Total Wastewater Utility capital assets	 <u>53,245,953</u>
 Total business-type activities capital assets	 <u>\$ 67,445,814</u>

CITY OF NEW CASTLE  
OTHER REPORTS

The annual report presented herein was prepared in addition to other official reports prepared for the individual City offices listed below:

New Castle City Court  
New Castle Utility Office

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

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Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://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 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 program for the year ended December 31, 2011. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal program for the year ended December 31, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1.

Internal Control Over Compliance

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 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 City'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.

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on the response.

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

June 25, 2012

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

CITY OF NEW CASTLE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2011

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
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
Pass-Through Indiana Housing and Community Development Authority			
CDBG - State Administered CDBG Cluster			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		
Neighborhood Stabilization Program		NSP1-009-010	\$ 993,733
Home Owner Occupied Rehabilitation Program		DR10R-009-006	174,500
Indiana Stellar Communities Program			10,000
Planning Grant Program			<u>18,080</u>
Total for federal grantor agency and program			<u>1,196,313</u>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
Pass-Through Indiana Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205		
Sign Replacement Project		A249-11-320	67,500
Garner Street Project		DES-0401407	<u>132,546</u>
Total for program			<u>200,046</u>
Formula Grants for Other Than Urban Areas	20.509		
ARRA - Formula Grants for Other Than Urban Areas	20.509		
Proj 18028100			37,708
Proj 18029100			155,839
A249-09-321053			<u>64,288</u>
Total for program			<u>257,835</u>
Highway Safety Cluster			
State and Community Highway Safety	20.600		
OP-10-02-01-11			<u>5,553</u>
Total for federal grantor agency			<u>463,434</u>
<b><u>U.S. DEPARTMENT OF ENERGY</u></b>			
Pass-Through Indiana Office of Energy Development			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-EE-000725	<u>164,688</u>
Total for federal grantor agency			<u>164,688</u>
Total federal awards expended			<u>\$ 1,824,435</u>

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

CITY OF NEW CASTLE  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

***Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of New Castle (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. 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  
(Continued)

**Section III – Federal Award Findings and Questioned Costs**

**FINDING 2011-1 - PROCUREMENT**

Federal Agency: U.S. Department of Housing and Urban Development  
Federal Program: Community Development Block Grants - State's Program  
CFDA Number: 14.228  
Federal Award Number: NSP1-009-010  
Pass-Through Entity: Indiana Housing & Community Development Authority

The procurement procedures the City used in 2010 to obtain professional services did not provide full and open by federal regulations. The City failed to publicize or advertise a contract to Star Development in the amount of \$209,700 awarded during the year 2010. The contract consisted of \$180,000 for grant administration, \$21,000 for program delivery, \$7,000 for environmental review and \$1,700 for lead testing. It appears that the City followed Procurement by Small Purchase Procedures by soliciting three quotes from persons who perform similar services. The small purchase procedures are limited to a threshold of \$100,000 per U.S.C. 403 (11). Also, the City did not follow its own policy of advertising for grant administration services.

24 CFR 85.36 (c)(1) states: "All procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of §85.36."

In addition, 24 CFR 85.36 (d)(3) states:

"Procurement by *competitive* proposals. The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed-price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for use of sealed bids. If this method is used, the following requirements apply:

- (i) Requests for proposals will be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals shall be honored to the maximum extent practical . . ."

By not following required procurement procedures that allow for full and open competition the City could be asked by the Federal Grantor agency to repay the funds. The City should follow laws and regulations applicable to federal grants because not doing so could also cause penalties, sanctions, or other disciplinary actions for violations of such standards by the grantee's and subgrantee's officers, employees, or agents, or by contractors or their agents.

We recommended the City follow the procurement requirements as required of local units of government.

# City of New Castle, Indiana

Greg York, Mayor

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Indiana State Board of Accounts  
302 West Washington Street  
Room E418  
Indianapolis, IN 46204-2769

RE: Summary Schedule of Prior Audit Findings

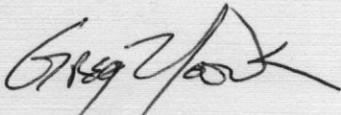
Original SBA Audit Report Number:	1338958
Fiscal Year	2010
Auditee Contact Person	Deborah Thornhill
Title of contact Person	HR Director / Grant Administrator
Phone Number	765.529.7605. ext 3112
Status of Finding	Corrected

Finding Number 2010-1, Procurement

The City of New Castle has developed and implemented written procedures including a two-step process to insure compliance with procurement requirements as required of local units of government.

Finding Number 2010-2, Cash Management

The City of New Castle has developed and implemented procedures and controls to ensure that the payment requests are submitted according to the grant requirements and agreements.



Greg York, Mayor

# City of New Castle, Indiana

Greg York, Mayor

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Indiana State Board of Accounts  
302 West Washington Street  
Room E418  
Indianapolis, IN 46204-2769

RE: Corrective Action Plan

SBA Audit Report Number:

Fiscal Year

2011

Auditee Contact Person

Deborah Thornhill

Title of contact Person

HR Director / Grant Administrator

Phone Number

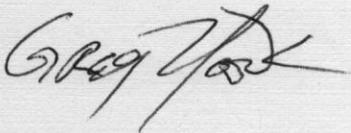
765.529.7605. ext 3112

Status of Finding

Corrected

Finding Number 2011-1, Procurement

The City of New Castle has developed and implemented written procedures including a two-step process to insure compliance with procurement requirements as required of local units of government.



Greg York, Mayor

CITY OF NEW CASTLE  
EXIT CONFERENCE

The contents of this report were discussed on June 25, 2012, with Greg York, Mayor; Christy York, Clerk-Treasurer; Mark Koger, President of the Common Council; Deborah Thornhill, Grant Administrator; and Don Tichenor, Director of Public Works. Our audit disclosed no material items that warrant comment at this time.