

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, 2012 to December 31, 2013



FILED

07/25/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rebecca J. Gentry	01-01-12 to 06-03-13
	(Vacant)	06-04-13 to 06-25-13
	Jon Lybarger	06-26-13 to 12-31-15
President of the Town Council	Leanna Hughes	01-01-12 to 12-31-12
	Tonya McGuire	01-01-13 to 12-31-13
	Leanna Hughes	01-01-14 to 12-31-14
Utility Office Manager	Susan Helms	01-01-12 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Newburgh (Town), which comprises the financial position and results of operations for the period of January 1, 2012 to December 31, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statement in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the Town prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2012 to December 31, 2013.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2012 to December 31, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 19, 2014, 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* in considering the Town's internal control over financial reporting and compliance.


Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Town'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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. 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, as listed in the Table of Contents, 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.


Paul D. Joyce, CPA
State Examiner

June 19, 2014



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INDEPENDENT AUDITOR'S 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 TOWN OF NEWBURGH, WARRICK COUNTY, INDIANA

We have audited, 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, the financial statement of the Town of Newburgh (Town), which comprises the financial position and results of operations for the period of January 1, 2012 to December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated June 19, 2014, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be material weaknesses.

INDEPENDENT AUDITOR'S 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 Town'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001.

Town of Newburgh's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

June 19, 2014

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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TOWN OF NEWBURGH
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2012 and 2013

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
General	\$ 831,729	\$ 2,291,324	\$ 2,607,938	\$ 515,115	\$ 2,225,866	\$ 2,135,037	\$ 605,944
MVH	20,294	125,019	129,664	15,649	136,625	152,274	-
LR&S	32,276	31,022	32,741	30,557	30,692	7,996	53,253
EDIT	257,257	176,079	328,660	104,676	104,140	170,604	38,212
Rainy Day	63,126	-	-	63,126	-	58,936	4,190
Levy Excess	2,106	-	-	2,106	-	-	2,106
CCD	92,769	18,690	63,569	47,890	19,707	31,163	36,434
CCI	32,912	8,819	14,862	26,869	8,926	15,580	20,215
Specific Donations	19,624	30,814	14,191	36,247	56,318	44,377	48,188
Enforcement Aid	2,250	-	-	2,250	-	-	2,250
Police Continuing Ed	4,349	5,327	4,418	5,258	4,754	8,252	1,760
Boat Ramp	32,156	12,871	31,273	13,754	10,434	1,050	23,138
Storm Water	24,380	76,983	91,874	9,489	69,228	54,685	24,032
Street Cut	4,053	-	-	4,053	-	-	4,053
Deposits	3,500	-	-	3,500	-	-	3,500
Federal Grants	-	541,377	541,377	-	65,954	65,954	-
EDIT Sinking	130,000	176,090	294,060	12,030	163,460	163,460	12,030
Park Debt	31	-	-	31	-	-	31
Lock & Dam Park Capital	3,587	3,188	3,575	3,200	8,969	94	12,075
Community Park CCIF	1,930	5,942	1,280	6,592	-	-	6,592
Rivertown Trail	32,273	61,566	8,310	85,529	13,279	31,157	67,651
EDIT Construction	213,747	9	213,756	-	-	-	-
Payroll	63,194	2,184,109	2,237,290	10,013	1,886,703	1,888,920	7,796
Wastewater Operating	1,072,771	9,653,925	9,945,254	781,442	9,883,108	9,797,683	866,867
Wastewater Bond & Interest	17,213	12,292,503	10,545,385	1,764,331	2,890,844	2,336,132	2,319,043
Wastewater Improvements	698,709	-	-	698,709	-	-	698,709
Wastewater Construction	656,760	64	101,118	555,706	16	553,613	2,109
Wastewater Debt Service Reserve	2,519,953	291,456	-	2,811,409	218,592	60,368	2,969,633
Wastewater Cash Reserve	-	460,000	460,000	-	460,000	460,000	-
Wastewater 2012 BAN Construction	-	621,611	153,683	467,928	822	418,144	50,606
Wastewater Petty Cash	200	-	-	200	-	-	200
Totals	\$ 6,833,149	\$ 29,068,788	\$ 27,824,278	\$ 8,077,659	\$ 18,258,437	\$ 18,455,479	\$ 7,880,617

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

TOWN OF NEWBURGH
NOTES TO FINANCIAL STATEMENT

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 statement presents the financial information for the Town.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 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.

TOWN OF NEWBURGH
NOTES TO FINANCIAL STATEMENT
(Continued)

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, 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 statement. 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, overtime 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.

TOWN OF NEWBURGH
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

TOWN OF NEWBURGH
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 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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

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 Capitol Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

TOWN OF NEWBURGH
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 Indiana Public Retirement System 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 Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

TOWN OF NEWBURGH
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 Capitol 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.

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SUPPLEMENTARY INFORMATION - UNAUDITED

For additional financial information, the Town's 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 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, 2012

	General	MVH	LR&S	EDIT	Rainy Day	Levy Excess	CCD
Cash and investments - beginning	\$ 831,729	\$ 20,294	\$ 32,276	\$ 257,257	\$ 63,126	\$ 2,106	\$ 92,769
Receipts:							
Taxes	616,584	38,219	-	-	-	-	18,571
Licenses and permits	15,181	-	-	-	-	-	-
Intergovernmental	278,921	86,800	31,022	108,579	-	-	119
Charges for services	323,853	-	-	-	-	-	-
Fines and forfeits	3,940	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	1,052,845	-	-	67,500	-	-	-
Total receipts	<u>2,291,324</u>	<u>125,019</u>	<u>31,022</u>	<u>176,079</u>	<u>-</u>	<u>-</u>	<u>18,690</u>
Disbursements:							
Personal services	883,638	100,484	-	-	-	-	-
Supplies	259,642	13,733	5,749	-	-	-	-
Other services and charges	763,779	15,447	1,360	101,821	-	-	60,076
Debt service - principal and interest	95,543	-	-	-	-	-	-
Capital outlay	599,394	-	25,632	226,839	-	-	3,493
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	5,942	-	-	-	-	-	-
Total disbursements	<u>2,607,938</u>	<u>129,664</u>	<u>32,741</u>	<u>328,660</u>	<u>-</u>	<u>-</u>	<u>63,569</u>
Excess (deficiency) of receipts over disbursements	<u>(316,614)</u>	<u>(4,645)</u>	<u>(1,719)</u>	<u>(152,581)</u>	<u>-</u>	<u>-</u>	<u>(44,879)</u>
Cash and investments - ending	<u>\$ 515,115</u>	<u>\$ 15,649</u>	<u>\$ 30,557</u>	<u>\$ 104,676</u>	<u>\$ 63,126</u>	<u>\$ 2,106</u>	<u>\$ 47,890</u>

TOWN OF NEWBURGH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012
 (Continued)

	CCI	Specific Donations	Enforcement Aid	Police Continuing Ed	Boat Ramp	Storm Water	Street Cut
Cash and investments - beginning	\$ 32,912	\$ 19,624	\$ 2,250	\$ 4,349	\$ 32,156	\$ 24,380	\$ 4,053
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	2,350	-	590	-
Intergovernmental	8,819	-	-	-	-	-	-
Charges for services	-	-	-	184	1,063	-	-
Fines and forfeits	-	-	-	2,793	125	76,323	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	30,814	-	-	11,683	70	-
Total receipts	8,819	30,814	-	5,327	12,871	76,983	-
Disbursements:							
Personal services	-	-	-	-	-	52,629	-
Supplies	-	9,328	-	3,128	259	12,859	-
Other services and charges	6,077	1,635	-	1,290	1,071	16,386	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	8,785	2,644	-	-	29,943	10,000	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	584	-	-	-	-	-
Total disbursements	14,862	14,191	-	4,418	31,273	91,874	-
Excess (deficiency) of receipts over disbursements	(6,043)	16,623	-	909	(18,402)	(14,891)	-
Cash and investments - ending	\$ 26,869	\$ 36,247	\$ 2,250	\$ 5,258	\$ 13,754	\$ 9,489	\$ 4,053

TOWN OF NEWBURGH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012
 (Continued)

	Deposits	Federal Grants	EDIT Sinking	Park Debt	Lock & Dam Park Capital	Community Park CCIF
Cash and investments - beginning	\$ 3,500	\$ -	\$ 130,000	\$ 31	\$ 3,587	\$ 1,930
Receipts:						
Taxes	-	-	176,090	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	541,377	-	-	-	-
Charges for services	-	-	-	-	3,188	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	-	-	-	5,942
Total receipts	-	541,377	176,090	-	3,188	5,942
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	294,060	-	-	-
Capital outlay	-	479,818	-	-	3,575	1,280
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	61,559	-	-	-	-
Total disbursements	-	541,377	294,060	-	3,575	1,280
Excess (deficiency) of receipts over disbursements	-	-	(117,970)	-	(387)	4,662
Cash and investments - ending	\$ 3,500	\$ -	\$ 12,030	\$ 31	\$ 3,200	\$ 6,592

TOWN OF NEWBURGH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012
 (Continued)

	Rivertown Trail	EDIT Construction	Payroll	Wastewater Operating	Wastewater Bond & Interest	Wastewater Improvements
Cash and investments - beginning	\$ 32,273	\$ 213,747	\$ 63,194	\$ 1,072,771	\$ 17,213	\$ 698,709
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	8,328,237	-	-
Penalties	-	-	-	83,357	-	-
Other receipts	61,566	9	2,184,109	1,242,331	12,292,503	-
Total receipts	61,566	9	2,184,109	9,653,925	12,292,503	-
Disbursements:						
Personal services	-	-	-	1,107,314	-	-
Supplies	-	-	-	-	-	-
Other services and charges	4,056	9,341	-	128,677	-	-
Debt service - principal and interest	-	-	-	-	9,989,403	-
Capital outlay	4,254	204,415	-	167,781	149,350	-
Utility operating expenses	-	-	-	4,874,726	-	-
Other disbursements	-	-	2,237,290	3,666,756	406,632	-
Total disbursements	8,310	213,756	2,237,290	9,945,254	10,545,385	-
Excess (deficiency) of receipts over disbursements	53,256	(213,747)	(53,181)	(291,329)	1,747,118	-
Cash and investments - ending	\$ 85,529	\$ -	\$ 10,013	\$ 781,442	\$ 1,764,331	\$ 698,709

TOWN OF NEWBURGH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012
 (Continued)

	Wastewater Construction	Wastewater Debt Service Reserve	Wastewater Cash Reserve	Wastewater 2012 BAN Construction	Wastewater Petty Cash	Totals
Cash and investments - beginning	\$ 656,760	\$ 2,519,953	\$ -	\$ -	\$ 200	\$ 6,833,149
Receipts:						
Taxes	-	-	-	-	-	849,464
Licenses and permits	-	-	-	-	-	18,121
Intergovernmental	-	-	-	-	-	1,055,637
Charges for services	-	-	-	-	-	328,288
Fines and forfeits	-	-	-	-	-	83,181
Utility fees	-	-	-	-	-	8,328,237
Penalties	-	-	-	-	-	83,357
Other receipts	64	291,456	460,000	621,611	-	18,322,503
Total receipts	64	291,456	460,000	621,611	-	29,068,788
Disbursements:						
Personal services	-	-	-	-	-	2,144,065
Supplies	-	-	-	-	-	304,698
Other services and charges	-	-	-	-	-	1,111,016
Debt service - principal and interest	-	-	-	-	-	10,379,006
Capital outlay	101,118	-	-	72,782	-	2,091,103
Utility operating expenses	-	-	-	-	-	4,874,726
Other disbursements	-	-	460,000	80,901	-	6,919,664
Total disbursements	101,118	-	460,000	153,683	-	27,824,278
Excess (deficiency) of receipts over disbursements	(101,054)	291,456	-	467,928	-	1,244,510
Cash and investments - ending	\$ 555,706	\$ 2,811,409	\$ -	\$ 467,928	\$ 200	\$ 8,077,659

TOWN OF NEWBURGH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	General	MVH	LR&S	EDIT	Rainy Day	Levy Excess	CCD
Cash and investments - beginning	\$ 515,115	\$ 15,649	\$ 30,557	\$ 104,676	\$ 63,126	\$ 2,106	\$ 47,890
Receipts:							
Taxes	648,285	-	-	-	-	-	19,694
Licenses and permits	47,112	-	-	-	-	-	-
Intergovernmental	384,102	136,625	30,692	104,140	-	-	13
Charges for services	336,567	-	-	-	-	-	-
Fines and forfeits	8,186	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	801,614	-	-	-	-	-	-
Total receipts	<u>2,225,866</u>	<u>136,625</u>	<u>30,692</u>	<u>104,140</u>	<u>-</u>	<u>-</u>	<u>19,707</u>
Disbursements:							
Personal services	856,726	141,921	-	-	-	-	-
Supplies	211,690	8,852	6,429	-	-	-	7,506
Other services and charges	663,538	1,501	117	30,909	58,936	-	2,330
Debt service - principal and interest	113,760	-	-	124,000	-	-	-
Capital outlay	286,987	-	1,450	15,695	-	-	21,327
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	2,336	-	-	-	-	-	-
Total disbursements	<u>2,135,037</u>	<u>152,274</u>	<u>7,996</u>	<u>170,604</u>	<u>58,936</u>	<u>-</u>	<u>31,163</u>
Excess (deficiency) of receipts over disbursements	<u>90,829</u>	<u>(15,649)</u>	<u>22,696</u>	<u>(66,464)</u>	<u>(58,936)</u>	<u>-</u>	<u>(11,456)</u>
Cash and investments - ending	<u>\$ 605,944</u>	<u>\$ -</u>	<u>\$ 53,253</u>	<u>\$ 38,212</u>	<u>\$ 4,190</u>	<u>\$ 2,106</u>	<u>\$ 36,434</u>

TOWN OF NEWBURGH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	CCI	Specific Donations	Enforcement Aid	Police Continuing Ed	Boat Ramp	Storm Water	Street Cut
Cash and investments - beginning	\$ 26,869	\$ 36,247	\$ 2,250	\$ 5,258	\$ 13,754	\$ 9,489	\$ 4,053
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	1,850	8,278	290	-
Intergovernmental	8,926	-	-	-	-	-	-
Charges for services	-	-	-	1,372	2,156	68,881	-
Fines and forfeits	-	-	-	1,525	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	56,318	-	7	-	57	-
Total receipts	<u>8,926</u>	<u>56,318</u>	<u>-</u>	<u>4,754</u>	<u>10,434</u>	<u>69,228</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	44,302	-
Supplies	776	7,139	-	7,852	37	2,798	-
Other services and charges	5,345	21,491	-	400	1,013	7,585	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	9,459	15,747	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>15,580</u>	<u>44,377</u>	<u>-</u>	<u>8,252</u>	<u>1,050</u>	<u>54,685</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(6,654)</u>	<u>11,941</u>	<u>-</u>	<u>(3,498)</u>	<u>9,384</u>	<u>14,543</u>	<u>-</u>
Cash and investments - ending	<u>\$ 20,215</u>	<u>\$ 48,188</u>	<u>\$ 2,250</u>	<u>\$ 1,760</u>	<u>\$ 23,138</u>	<u>\$ 24,032</u>	<u>\$ 4,053</u>

TOWN OF NEWBURGH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Deposits	Federal Grants	EDIT Sinking	Park Debt	Lock & Dam Park Capital	Community Park CCIF
Cash and investments - beginning	\$ 3,500	\$ -	\$ 12,030	\$ 31	\$ 3,200	\$ 6,592
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	163,460	-	-	-
Charges for services	-	-	-	-	6,469	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	65,954	-	-	2,500	-
Total receipts	-	65,954	163,460	-	8,969	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	94	-
Debt service - principal and interest	-	-	163,460	-	-	-
Capital outlay	-	52,682	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	13,272	-	-	-	-
Total disbursements	-	65,954	163,460	-	94	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	8,875	-
Cash and investments - ending	\$ 3,500	\$ -	\$ 12,030	\$ 31	\$ 12,075	\$ 6,592

TOWN OF NEWBURGH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Rivertown Trail	EDIT Construction	Payroll	Wastewater Operating	Wastewater Bond & Interest	Wastewater Improvements
Cash and investments - beginning	\$ 85,529	\$ -	\$ 10,013	\$ 781,442	\$ 1,764,331	\$ 698,709
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	8,079,081	-	-
Penalties	-	-	-	142,521	-	-
Other receipts	13,279	-	1,886,703	1,661,506	2,890,844	-
Total receipts	<u>13,279</u>	<u>-</u>	<u>1,886,703</u>	<u>9,883,108</u>	<u>2,890,844</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	1,201,525	-	-
Supplies	-	-	-	-	-	-
Other services and charges	31,157	-	-	97,206	-	-
Debt service - principal and interest	-	-	-	-	2,306,788	-
Capital outlay	-	-	-	348,392	28,844	-
Utility operating expenses	-	-	-	4,609,968	-	-
Other disbursements	-	-	1,888,920	3,540,592	500	-
Total disbursements	<u>31,157</u>	<u>-</u>	<u>1,888,920</u>	<u>9,797,683</u>	<u>2,336,132</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(17,878)</u>	<u>-</u>	<u>(2,217)</u>	<u>85,425</u>	<u>554,712</u>	<u>-</u>
Cash and investments - ending	<u>\$ 67,651</u>	<u>\$ -</u>	<u>\$ 7,796</u>	<u>\$ 866,867</u>	<u>\$ 2,319,043</u>	<u>\$ 698,709</u>

TOWN OF NEWBURGH
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Wastewater Construction	Wastewater Debt Service Reserve	Wastewater Cash Reserve	Wastewater 2012 BAN Construction	Wastewater Petty Cash	Totals
Cash and investments - beginning	\$ 555,706	\$ 2,811,409	\$ -	\$ 467,928	\$ 200	\$ 8,077,659
Receipts:						
Taxes	-	-	-	-	-	667,979
Licenses and permits	-	-	-	-	-	57,530
Intergovernmental	-	-	-	-	-	827,958
Charges for services	-	-	-	-	-	415,445
Fines and forfeits	-	-	-	-	-	9,711
Utility fees	-	-	-	-	-	8,079,081
Penalties	-	-	-	-	-	142,521
Other receipts	16	218,592	460,000	822	-	8,058,212
Total receipts	16	218,592	460,000	822	-	18,258,437
Disbursements:						
Personal services	-	-	-	-	-	2,244,474
Supplies	-	-	-	-	-	253,079
Other services and charges	-	-	-	-	-	921,622
Debt service - principal and interest	-	-	-	-	-	2,708,008
Capital outlay	553,613	-	-	415,587	-	1,749,783
Utility operating expenses	-	-	-	-	-	4,609,968
Other disbursements	-	60,368	460,000	2,557	-	5,968,545
Total disbursements	553,613	60,368	460,000	418,144	-	18,455,479
Excess (deficiency) of receipts over disbursements	(553,597)	158,224	-	(417,322)	-	(197,042)
Cash and investments - ending	\$ 2,109	\$ 2,969,633	\$ -	\$ 50,606	\$ 200	\$ 7,880,617

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TOWN OF NEWBURGH
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2013

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater Utility	\$ 904,729	\$ 718,970
Governmental activities	14,048	12,200
Totals	\$ 918,777	\$ 731,170

TOWN OF NEWBURGH
SCHEDULE OF LEASES AND DEBT
December 31, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Old National Bank	Police Vehicle Purchase	\$ 18,217	04-25-12	04-25-14
Leasing 2, Inc.	Police - (2) 2014 Dodge Chargers	47,559	10-15-13	10-15-15
Old National Bank	Fire Equipment	18,827	05-12-04	05-12-14
Bank of New York	Town Hall building renovations	<u>121,000</u>	07-15-06	01-15-26
Total of annual lease payments		<u>\$ 205,603</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Revenue bonds	EDIT - Series 2008	\$ 305,000	\$ 6,330
Total governmental activities		<u>305,000</u>	<u>6,330</u>
Wastewater Utility:			
Revenue bonds	2012 Refunding bonds - utility improvements	7,820,000	59,823
Revenue bonds	2005 Wastewater utility improvements	3,060,000	63,665
Revenue bonds	2008 Wastewater utility improvements	7,430,000	359,537
State revolving loan payable	2009 Wastewater utility improvements	15,198,000	237,089
Notes payable	2012 BANS utility improvements	<u>620,000</u>	<u>4,185</u>
Total Wastewater Utility		<u>34,128,000</u>	<u>724,299</u>
Totals		<u>\$ 34,433,000</u>	<u>\$ 730,629</u>

TOWN OF NEWBURGH
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2013

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	\$ 650,358
Infrastructure	1,924,168
Buildings	4,049,461
Improvements other than buildings	2,375,847
Machinery, equipment, and vehicles	1,669,234
Total governmental activities	10,669,068
Wastewater Utility:	
Land	797,095
Infrastructure	79,339,489
Machinery, equipment, and vehicles	2,775,933
Construction in progress	1,634,780
Total Wastewater Utility	84,547,297
Total capital assets	\$ 95,216,365

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Newburgh's (Town) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of January 1, 2012 to December 31, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of January 1, 2012 to December 31, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)


Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

June 19, 2014

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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

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TOWN OF NEWBURGH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended December 31, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-12	Total Federal Awards Expended 12-31-13
<u>Department of Agriculture</u>					
Emergency Watershed Protection Program Lock and Dam Landslide Lock and Dam Landslide	Indiana Natural Resources Conservation Service	10.923	68-52KY-12-008	\$ 411,492	\$ -
Total - Department of Agriculture				<u>411,492</u>	<u>-</u>
<u>Department of Housing and Urban Development</u>					
CDBG - State-Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Westside Drainage Project/Storm Water Grant	Indiana Office of Community and Rural Affairs	14.228	CF11-211	547,318	52,682
Total - CDBG - State-Administered CDBG Cluster				<u>547,318</u>	<u>52,682</u>
Total - Department of Housing and Urban Development				<u>547,318</u>	<u>52,682</u>
<u>Department of Justice</u>					
Bulletproof Vest Partnership Program Bulletproof Vest	Direct Grant	16.607	2010-BUBX 10053537	585	1,688
Total - Department of Justice				<u>585</u>	<u>1,688</u>
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction Rivertown Trail Rivertown Trail	Indiana Department of Transportation	20.205 20.205	DES #0901281 DES #0710850	61,447 -	- 13,272
Total - Highway Planning and Construction Cluster				<u>61,447</u>	<u>13,272</u>
Total - Department of Transportation				<u>61,447</u>	<u>13,272</u>
<u>Environmental Protection Agency</u>					
Capitalization Grant for Clean Water State Revolving Funds	Indiana Finance Authority	66.458	WW06598705	74,675	14,422
Total - Environmental Protection Agency				<u>74,675</u>	<u>14,422</u>
<u>Department of Homeland Security</u>					
Disaster Grant - Public Assistance (Presidentially Declared Disasters) FEMA - 2011 Flooding	Indiana Department of Homeland Security	97.036	1997	60,126	309,779
Total - Disaster Grant - Public Assistance (Presidentially Declared Disasters)				<u>60,126</u>	<u>309,779</u>
Total - Department of Homeland Security				<u>60,126</u>	<u>309,779</u>
Total federal awards expended				<u>\$ 1,155,643</u>	<u>\$ 391,843</u>

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 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.

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 Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.923	Emergency Watershed Protection Program CDBG - State-Administered CDBG Cluster
97.036	Disaster Grant - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

**FINDING 2013-001 - INTERNAL CONTROLS AND COMPLIANCE ISSUE
OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

TOWN OF NEWBURGH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

During the audit of the SEFA, errors noted include instances of each of the following: a state grant was included on the SEFA, program expenditures were misstated, programs were omitted, program names were incorrect or omitted, and CFDA numbers were incorrect. Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.

TOWN OF NEWBURGH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

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AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the Town. The document is presented as intended by the Town.



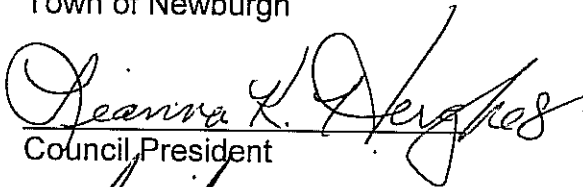
June 30, 2014

Corrective Action Plan

FINDING 2013-1 – INTERNAL CONTROLS AND COMPLIANCE ISSUE OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.

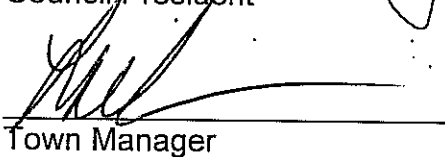
The Clerk-Treasurer will work in conjunction with the Town Manager to ensuring that the monies received from federal grants and expended by the Town of Newburgh are properly documented. The Clerk-Treasurer, Jon Lybarger, will be responsible for providing this funding information in each annual report as well as the Schedule of Expenditures of Federal Awards beginning with the report created by the end of February 2015.

Town of Newburgh



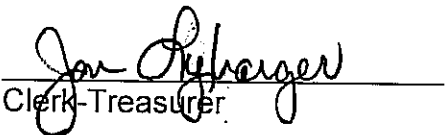
Council President

6/30/2014
Date



Town Manager

6/30/2014
Date



Clerk-Treasurer

June 30, 2014
Date

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the Town. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.