

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

EXAMINATION REPORT

OF

TOWN OF NEWBURGH

WARRICK COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED
12/29/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rebecca J. Gentry	01-01-04 to 12-31-07
President of the Town Council	William Kavanaugh	01-01-04 to 12-31-06
Town Manager	Mae Mason Cynthia Burger	01-01-04 to 08-01-05 08-02-05 to 12-31-06
Superintendent of Wastewater Utility	Leon Key	01-01-04 to 12-31-06
Utility Office Manager	Donna Driskell Cynthia Burger (Interim) Shawn Mundy	01-01-04 to 08-01-06 08-02-06 to 10-08-06 10-09-06 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Town of Newburgh (Town), for the period of January 1, 2004 to December 31, 2005. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

December 6, 2006

TOWN OF NEWBURGH
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2004 And 2005

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 384,398	\$ 1,853,101	\$ 1,660,559	\$ 576,940
Motor Vehicle Highway	31,461	133,151	117,357	47,255
Local Road and Street	11,039	31,247	28,151	14,135
Airport Authority	674	-	260	414
Law Enforcement Continuing Education	5,321	3,167	4,297	4,191
Economic Development Income Tax	186,157	263,407	208,520	241,044
Senior Citizens Center	455	324,620	325,075	-
Deposits	-	900	-	900
Specific Donations	5,237	12,437	10,703	6,971
Street Cut	2,353	1,050	600	2,803
Boat Ramp	27,163	3,705	7,467	23,401
Newburgh Volunteer Fire Association	-	6,000	6,000	-
Storm Water Management	9,734	40,917	19,562	31,089
Enforcement Aid	-	1,000	-	1,000
Levy Excess	-	12,746	-	12,746
Master Lift Station	-	1,347,019	-	1,347,019
COPS Grant	8,441	4	8,445	-
Park Bond	29,053	16,384	36,746	8,691
Newburgh Community Park CCIF	11,027	5,582	2,464	14,145
Cumulative Capital Improvement	16,488	11,698	18,503	9,683
Newburgh Lock and Dam Park CCIF	10,597	1,989	1,600	10,986
Cumulative Capital Development	41,534	25,436	30,503	36,467
EDIT Construction	-	318,900	241,540	77,360
Proprietary Funds:				
Wastewater Utility - Operating	352,908	7,361,092	6,790,337	923,663
Wastewater Utility - Bond and Interest	-	1,293,138	1,023,289	269,849
Wastewater Utility - Debt Service Reserve	1,159,137	4,819	-	1,163,956
Wastewater Utility - Improvement	524,972	16,177	-	541,149
Wastewater Utility - Construction	1,943,692	14,742	1,217,817	740,617
Fiduciary Fund:				
Payroll	22,865	1,330,267	1,326,429	26,703
Totals	<u>\$ 4,784,706</u>	<u>\$ 14,434,695</u>	<u>\$ 13,086,224</u>	<u>\$ 6,133,177</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 576,940	\$ 2,028,756	\$ 1,753,353	\$ 852,343
Motor Vehicle Highway	47,255	132,950	126,665	53,540
Local Road and Street	14,135	31,409	28,034	17,510
Airport Authority	414	-	356	58
Law Enforcement Continuing Education	4,191	2,201	2,680	3,712
Economic Development Income Tax	241,044	107,630	171,448	177,226
Deposits	900	3,600	1,000	3,500
Specific Donations	6,971	3,211	2,063	8,119
Street Cut	2,803	1,550	-	4,353
Boat Ramp	23,401	8,746	13,783	18,364
Newburgh Volunteer Fire Association	-	6,500	6,500	-
Storm Water Management	31,089	37,863	41,227	27,725
Enforcement Aid	1,000	-	-	1,000
Levy Excess	12,746	31,604	12,746	31,604
Master Lift Station	1,347,019	3,474,695	3,537,891	1,283,823
Rivertown Trail	-	111,069	57,987	53,082
Federal Grants	-	550	525	25
EDIT Sinking	-	97,678	6,586	91,092
Park Bond	8,691	1,230	9,921	-
Newburgh Community Park CCIF	14,145	3,036	9,642	7,539
Cumulative Capital Improvement	9,683	9,552	6,610	12,625
Newburgh Lock and Dam Park CCIF	10,986	2,203	-	13,189
Cumulative Capital Development	36,467	5,664	16,649	25,482
EDIT Construction	77,360	1,573	78,933	-
Proprietary Funds:				
Wastewater Utility - Operating	923,663	6,924,080	5,842,622	2,005,121
Wastewater Utility - Bond and Interest	269,849	975,255	1,243,107	1,997
Wastewater Utility - Depreciation	1,163,956	276,709	-	1,440,665
Wastewater Utility - Customer Deposit	541,149	11,646	30,628	522,167
Wastewater Utility - Construction	740,617	19,881	53,195	707,303
Wastewater Utility - Master Lift Station	-	3,769,681	1,284,360	2,485,321
Fiduciary Fund:				
Payroll	26,703	1,075,227	1,077,093	24,837
Totals	<u>\$ 6,133,177</u>	<u>\$ 19,155,749</u>	<u>\$ 15,415,604</u>	<u>\$ 9,873,322</u>

The accompanying notes are an integral part of the schedules.

TOWN OF NEWBURGH
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, wastewater and urban redevelopment.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. 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% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes 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.

TOWN OF NEWBURGH
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Long-Term Debt

Town

The Town has entered into debt such as 2000 and 2004 EDIT revenue bonds for various economic development projects. The outstanding principal at December 31, 2005, was \$80,000 and \$320,000, respectively. In addition, the Town has entered into various capital leases for the purchase of three police vehicles (in 2003), fire equipment, two police cars (in 2005) and a town hall. The outstanding principal at December 31, 2005, was \$17,485, \$137,713, \$47,576, and \$2,361,000, respectively.

Wastewater Utility

The Wastewater Utility has entered into debt such as 1996 refunding, 2000 revenue and 2005 revenue bonds for various wastewater projects. The outstanding principal at December 31, 2005, was \$700,000, \$4,220,000, and \$3,800,000, respectively.

In addition, the Wastewater Utility has entered into four state revolving loans such as 1998 Series A, 1999 Series B, 1999 Series C and 2001 Series A for the construction of various wastewater projects. The outstanding principal at December 31, 2005, was \$1,415,000, \$5,530,000, \$765,000, and \$810,000, respectively.

TOWN OF NEWBURGH
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 8. Building Corporation

The Town has entered into a capital lease with the Newburgh Town Hall Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing the costs (including issuance costs and interest during construction) of renovations and improvements to an existing Town Hall building and an existing library building for lease to the government. No lease payments have been made to date.

TOWN OF NEWBURGH
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS (Applies to the Town)

As stated in several prior reports, the Town's record of capital asset information is incomplete.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS (Applies to the Wastewater Utility)

The Utility's capital asset records are incorrect. Some prior capital asset audit corrections were not recorded. Some assets were recorded at incorrect amounts. Some were recorded that should not have been. Some asset types were added which were not in accordance with the capitalization policy.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manuals for Cities and Towns, Chapter 7)

ACCOUNTS RECEIVABLE CONTROL (Applies to the Wastewater Utility)

As stated in the prior report, an Accounts Receivable Control was not properly maintained and verified by the Utility.

Customer Account Receivable (Account 141) in the Utility's ledger serves as the Accounts Receivable Control account. This account will be debited with the total monthly billing to all customers for utility services including penalties and sales tax. This account will be credited with the total accounts receivable collections, penalties and sales tax shown by the Register of Daily Cash Receipts - Consumers.

Under normal conditions the individual active accounts of customers should at all times show debit balances and at the end of each month the individual active accounts should be added and the total so obtained checked against the balance of the control account. If any adjustments are necessary, to either to the control or to the individual active accounts, proper explanation should be recorded in the records.

When any adjustment is made to a customer's account in order to correct an error in a previous charge or credit, a like entry should be made to the control account; debiting the control to increase the charge and crediting the control to decrease the charge in order to keep the total of the individual active accounts in agreement with the control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

TOWN OF NEWBURGH
EXAMINATION RESULTS AND COMMENTS
(Continued)

DELINQUENT WASTEWATER ACCOUNTS

As stated in several prior reports, delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor; and
 - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

TOWN OF NEWBURGH
EXIT CONFERENCE

The contents of this report were discussed on December 6, 2006, with Rebecca J. Gentry, Clerk-Treasurer; William Kavanaugh, President of the Town Council; Cynthia Burger, Town Manager; Susan Helms, Deputy Clerk-Treasurer; and Shawn Mundy, Utility Office Manager. The officials concurred with our findings.