

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

EXAMINATION REPORT

OF

CITY OF NEW CASTLE

HENRY COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED
08/21/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janice L. Lavarney	01-01-04 to 12-31-11
Mayor	Thomas Nipp James Small	01-01-04 to 12-31-07 01-01-08 to 12-31-11
City Court Judge	James Small Vacant Carol Goodwin Donald Hamilton	04-22-06 to 02-15-07 02-16-07 to 02-28-07 03-01-07 to 12-31-07 01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Brad A. Crowe David England	01-01-07 to 12-31-07 01-01-08 to 12-31-08
President of the Common Council	Richard Hahn Sandy York	01-01-07 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of New Castle (City), for the period of January 1, 2007 to December 31, 2007. The City'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 City for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

July 14, 2008

CITY OF NEW CASTLE
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments		Cash and Investments	
	01-01-07	Receipts	Disbursements	12-31-07
Governmental Funds:				
General	\$ 1,835,053	\$ 12,042,235	\$ 13,536,066	\$ 341,222
Motor Vehicle Highway	148,425	637,800	636,541	149,684
Local Road and Street	143,372	281,248	328,916	95,704
Aviation Non Reverting	23,915	-	9,396	14,519
Police Canine Donation	369	286	85	570
Police Assistance	1,470	2,614	1,776	2,308
Transportation	93,673	606,996	510,727	189,942
Law Enforcement Continuing Education	30,195	20,528	19,922	30,801
First Aid Donation	841	735	153	1,423
Mayor Donation	113	-	75	38
Community Center	32,064	13,215	24,948	20,331
Fire Department Assistance	633	54	-	687
Fire Donation	2,517	-	1,500	1,017
Cemetery Perpetual Maintenance	221,533	49,631	44,724	226,440
Cemetery Non Reverting	22,121	900	-	23,021
Drug Abuse Law Enforcement	16,006	12,252	28,258	-
Demolition	40,586	-	25,809	14,777
Operation Pullover	111	6,061	5,789	383
Aquatic Center	11,111	32,967	43,048	1,030
Park Non Reverting	17,250	33,034	16,062	34,222
Park Shelter (Maxwell) House	-	2,500	2,431	69
First Aid Recovery	101,480	181,261	92,424	190,317
Fire Donation Shop With Firemen	100	3,050	2,900	250
Riverboat	23,978	1,416	20,000	5,394
Downtown Revitalization	13,914	-	-	13,914
Mausoleum Non Reverting	210	25	-	235
Community Development Block Grant	-	82,864	82,864	-
City Court Non Reverting	2,462	40,825	36,063	7,224
City Fines - Late Fees	-	4,947	-	4,947
City Share of Court Costs	-	6,401	-	6,401
Clerk's Records Perpetuation	-	254	-	254
Judicial City Shares	-	521	-	521
Law Enforcement	11,512	2,865	3,264	11,113
Law Enforcement User Fee	-	381	-	381
Sidewalk Maintenance - Improvement	-	18,597	18,251	346
Northwest Economic Development Bond Anticipation Note 2006	43,874	1,371	14,604	30,641
Park Pool Bond and Interest	-	192,470	37,694	154,776
Cumulative Capital Improvement	122,612	62,450	63,433	121,629
Cumulative Capital Development	217,944	72,948	69,188	221,704
Cumulative Fire Township	322,990	170,503	356,020	137,473
Southeast Downtown Tax Increment Financing	1,238,956	397,850	71,005	1,565,801
Park Pool Bond	1,936,437	76,233	478,152	1,534,518
Northwest Economic Development Allocation	5,159	234	750	4,643
Northwest Economic Development Capital	642	43,198	1,238	42,602
Proprietary Funds:				
Water Utility - Operating	4,528	2,720,804	2,701,281	24,051
Water Utility - Bond and Interest	-	479,417	479,416	1
Water Utility - Debt Service	85,500	-	-	85,500
Water Utility - Customer Deposit	47,827	31,000	26,155	52,672
Water Utility - Construction	172,316	-	103,142	69,174
Wastewater Utility - Operating	390,535	4,924,074	4,929,487	385,122
Wastewater Utility - Bond and Interest	352,939	536,301	602,970	286,270
Wastewater Utility - Debt Service	687,040	4,544	-	691,584
Wastewater Utility - Construction	1,148,467	35,853	422,641	761,679
Wastewater Utility - Improvement	756	872,879	434,327	439,308
Storm Water Utility - Non Reverting	191,684	828,510	259,261	760,933
Cumulative Insurance Recovery	11,468	4,932,188	4,942,115	1,541
Fiduciary Funds:				
Police Officers' Pension	459,365	724,858	756,886	427,337
Firefighters' Pension	355,793	567,656	580,482	342,967
Payroll	80,471	8,865,065	8,864,665	80,871
Retirees' Share Health and Life Insurance	29,835	78,331	107,947	219
Health Savings Account (Flex)	-	15,997	4,744	11,253
Cemetery Endowment	4,300	-	-	4,300
Totals	\$ 10,706,452	\$ 40,721,197	\$ 41,799,595	\$ 9,628,054

The accompanying notes are an integral part of the financial information.

CITY OF NEW CASTLE
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

Note 2. Fund Accounting

The City 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 City 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 City 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 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.

CITY OF NEW CASTLE
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in 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 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% 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. Subsequent Event

The City issued tax anticipation warrants on January 18, 2008, in the amount of \$1,000,000 and an additional \$1,000,000 on March 5, 2008. These tax anticipation warrants are due by December 31, 2008. On May 23, 2008, \$500,000 of these tax anticipation warrants was repaid.

The Storm Water Utility - Non Reverting Fund loaned the General Fund \$500,000 on May 22, 2008, \$200,000 on June 6, 2008, \$100,000 on July 1, 2008, and \$200,000 on July 8, 2008, for a total of \$1,000,000. These loans between funds are due by December 31, 2008.

CITY OF NEW CASTLE
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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.

Retroactive reporting of general infrastructure assets will occur by January 1, 2008.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 280,700
Buildings	2,935,517
Improvements other than buildings	1,003,091
Machinery and equipment	<u>6,163,867</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 10,383,175</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 325,082
Construction in progress	480,001
Buildings	951,987
Improvements other than buildings	10,498,393
Machinery and equipment	<u>1,809,190</u>
Total Water Utility capital assets	<u>14,064,653</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	39,513
Construction in progress	3,218,111
Buildings	16,894,736
Improvements other than buildings	25,162,250
Machinery and equipment	<u>2,994,726</u>
Total Wastewater Utility capital assets	<u>48,309,336</u>
Total business-type activities capital assets	<u>\$ 62,373,989</u>

CITY OF NEW CASTLE
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

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:		
Two 2007 Horton 553 C Ambulances on Ford E-450 Super Duty Chassis	\$ 290,078	\$ 105,582
Notes and loans payable:		
Tax Increment Revenue Bond Anticipation Notes, Series 2006	400,000	19,400
Bonds payable:		
General obligation bonds:		
Park District Bonds, Series 2006	<u>1,950,000</u>	<u>168,725</u>
Total governmental activities debt	<u><u>\$ 2,640,078</u></u>	<u><u>\$ 293,707</u></u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
1993 Waterworks Improvement Revenue Bonds Refunded 2003	\$ 320,000	\$ 219,583
Waterworks Utility Revenue Bonds, Series 2006	<u>855,000</u>	<u>17,656</u>
Total Water Utility	<u><u>\$ 1,175,000</u></u>	<u><u>\$ 237,239</u></u>
Wastewater Utility		
Capital leases:		
Schwarze Model A 4000 Street Sweeper	\$ 70,287	\$ 19,679
Isuzu NQR Chassis Tymco Street Sweeper	100,908	22,240
Notes and loans payable:		
State Revolving Fund Loan	5,325,035	516,076
Revenue bonds:		
Sewage Works Revenue Bonds, Series 2006	<u>1,955,000</u>	<u>158,765</u>
Total Wastewater Utility	<u><u>\$ 7,451,230</u></u>	<u><u>\$ 716,760</u></u>
Total business-type activities debt:	<u><u>\$ 8,626,230</u></u>	<u><u>\$ 953,999</u></u>

CITY OF NEW CASTLE
EXAMINATION RESULTS AND COMMENTS

CERTIFICATION AND PAYMENT OF CLAIM PRIOR TO RECEIPT
OF CAPITAL ASSET (Applies to New Castle Cemetery)

A purchase order for \$7,684 was issued to a local welding company on November 29, 2006, for the design and fabrication of a grave opening shoring device. An accounts payable voucher, dated November 29, 2006, was submitted to the Clerk-Treasurer's office to be processed for payment. The accounts payable voucher contained a certification which stated that the materials or services itemized thereon for which charge is made were ordered and received. The certification was signed by David England, the former Cemetery Superintendent. The accounts payable voucher was processed and payment was made on December 7, 2006. The warrant for payment cleared the local bank on December 11, 2006.

During the year 2007, it came to City Officials' attention that the grave opening shoring device had not yet been received. Upon inquiry of the local welding company, they were informed that the materials to construct the device were on hand, but the device had not yet been constructed. The welding company issued a check to the City for \$115.25 on December 21, 2007, that represented an interest payment on the labor portion of the total cost of the device. On April 15, 2008, Steve Hacker, the current Cemetery Superintendent, picked up the completed grave opening shoring device at the local welding company.

The accounts payable voucher date of November 29, 2006, and the warrant issue and clearing dates of December 7, 2006 and December 11, 2006, respectively, indicate payment was made to the local welding company more than 15 months before the actual receipt of the goods and services on April 15, 2008.

Checks should be prepared timely and not signed in advance of the event or transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS (Applies to New Castle Cemetery)

The following deficiencies relating to recordkeeping were present during our period of examination:

Receipt Form 13060 was issued in early January 2008, but was dated December 30, 2007.

Receipt Form 13060 in the amount of \$3,050 was issued to a local funeral home for the payment of several burials. Neither the receipt form issued nor the cemetery cash book contained sufficient information to determine the services provided and the parties served. It could not be determined if the correct amount was received for the burials included in the payment. The information could not be obtained from the local funeral home who made the payment.

CITY OF NEW CASTLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Receipt Form 12940 in the amount of \$125 was issued September 10, 2007, for the payment of a cremation burial. The receipt was included in the September 10, 2007, remittal to the Clerk-Treasurer's office and also included in Receipt Form 53439 issued by the Clerk-Treasurer's office to the Cemetery. However, the receipt was not recorded in the Cemetery's cash book.

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

COLLECTION OF AMOUNTS DUE (Applies to New Castle Cemetery)

The amount of \$800 was due from a local funeral home for a grave opening and closing and a grave site purchase related to a December 5, 2007, burial. Some Cemetery documents indicated the receivable was paid. However, no receipt form was issued. There was no related receipt posting in the Cemetery Cash Book, and there was no transmittal of monies for the grave opening and closing and grave purchase to the City Clerk-Treasurer. Upon inquiry of the local funeral home staff, it was determined that the amount due of \$800 associated with this burial had in fact not yet been paid as of June 10, 2008. The funeral home could not locate any record of payment.

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

RECEIPT FORM ISSUANCE (Applies to New Castle Cemetery)

The Cemetery transmittal report dated September 11, 2007, that accompanied a deposit to the Clerk-Treasurer's office included an unidentified amount of \$400. There was no receipt form issued or Cemetery cash book posting associated with this amount.

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

AMOUNTS DUE NOT TIMELY REMITTED (Applies to New Castle Cemetery)

We observed that a local funeral home was not timely remitting payment for grave openings and closings and/or grave purchases. Payment was not made at the time of the grave sale or service provided. In some instances, several transactions incurred over a month or more would be included in a single payment from the funeral home.

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

CITY OF NEW CASTLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

DEPOSITS (Applies to New Castle Cemetery)

As stated in the prior report filed September 26, 2007, receipts were deposited later than the next business day.

During the months of August and September 2007 numerous collections were not timely remitted (deposited) as follows:

<u>Date Posted</u>	<u># Collections</u>	<u>Date Remitted</u>	<u>Business Days</u>
August 2	1	August 7	3
August 3	1	August 14	7
August 6	1	August 14	6
August 7	2	August 14	5
August 14	1	August 22	6
August 15	2	August 22	5
August 18	1	August 22	3
September 5	1	September 11	4

Receipt Forms 13036 through 13048 (including four voided receipt forms) were issued and posted to the Cemetery cash book from the dates of December 7, 2007 to December 19, 2007. These collections, totaling \$4,500, were remitted to the Clerk-Treasurer's office on December 20, 2007. The number of business days from the date posted to the date remitted ranged from one day to nine days.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

The City of New Castle Policies and Procedures, policy 8.4, issued September 10, 2007, states in part: "In order to insure that monies collected by the city are properly deposited with the Clerk-Treasurer within 24 hours of receipt all monies collected by the various departments after 9 A.M. the previous morning are to be deposited with the Clerk Treasurer no later than 9 A.M. each business day."

COURT COSTS NOT TIMELY REMITTED (Applies to New Castle City Court)

Most court costs collected during the year 2007 for judgments were not timely remitted to the City of New Castle, Henry County, and the State of Indiana as required by Indiana Code 33-37-4-2.

Court costs collected on behalf of the City during the period January 1 to October 31 were remitted November 20, and collections during the period November 1 to December 31 were remitted January 3, 2008. These court costs should have been remitted monthly to the City of New Castle.

Court costs collected for the County during the period January 1 to October 31 were also remitted November 20. These court costs should have been remitted monthly. Collections for the months of November and December were timely remitted to Henry County.

Court costs collected for the State during the period January 1 to May 31 were remitted August 10. These court costs should have been remitted semiannually. Collections during the period June 1 to November 30 were timely remitted to the State of Indiana.

CITY OF NEW CASTLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Court costs collected for judgments (Infractions and Local Ordinance Violations) under Indiana Code 33-37-4-2 shall be remitted to cities and towns and counties monthly and to the state semiannually. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 2)

PRESCRIBED OR APPROVED FORMS (Applies to New Castle City Court)

The City Court Cash Book and Daily Balance Record were not always posted properly during 2007.

On June 7, 2007, disbursements totaling \$5,755 were posted to the cash book and daily balance record for various court costs due to the City of New Castle and to Henry County. No warrants were issued to the City or County associated with these disbursement postings of June 7, 2007. On July 27, 2007, these disbursement postings were reversed by increasing the beginning balances for the various court costs affected.

On June 8, 2007, disbursements totaling \$3,008.50 were posted to the cash book and daily balance record for various court costs due to the City of New Castle and to the State of Indiana similar to the preceding condition. No warrants were issued to the City or State associated with these disbursement postings of June 8, 2007. On June 12, 2007, these disbursement postings were again reversed by increasing the beginning balances for the various court costs affected.

No written explanation was provided that identified the purpose for the change in beginning balances, and why the entries on the official records did not agree with the bank transactions.

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

CITY OF NEW CASTLE
EXIT CONFERENCE

The contents of this report were discussed on July 14, 2008, with Stephen A. Hacker, current Cemetery Superintendent; and Maxine White, Cemetery Clerk. The officials concurred with our findings.

The contents of this report were discussed on July 14, 2008, with Donald E. Hamilton, City Court Judge; and Christi Brock, City Court Clerk. The officials concurred with our findings.

The contents of this report were discussed on July 14, 2008, with James Small, Mayor; Sandy York, President of the Common Council; Vaughn Reid III, Common Council member; Mary Malone, Common Council member; Janice L. Lavarney, Clerk-Treasurer; Emily Cupp, City Accountant; Gloria Bowling, Chief Deputy Clerk; and Jeana Davis, Executive Secretary. The officials concurred with our findings.

The contents of this report were also discussed on July 14, 2008, with David England, President of the Board of Public Works and Safety; Louise Pierce, Common Council member; James Kidd, Common Council member; Angelique Goodman, Common Council member; and Janice L. Lavarney, Clerk-Treasurer. The officials concurred with our findings.