

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF NEW CASTLE
HENRY COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
08/21/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Christy York	01-01-12 to 12-31-15
Mayor	Greg York	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Greg York	01-01-12 to 12-31-15
President of the Common Council	Mark Koger	01-01-12 to 12-31-13
Superintendent of Water Utility	Melvin Watson	01-01-12 to 12-31-13
Superintendent of Wastewater Utility	Dale Johnson	01-01-12 to 12-31-13
Superintendent of Storm Water Utility	Dale Johnson	01-01-12 to 12-31-13
Utility Office Manager	Janice Burns	01-01-12 to 12-31-13



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We were engaged to audit the accompanying financial statement of the City of New Castle (City), which comprises the financial position and results of operations for the year ended December 31, 2012, 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 these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The City did not properly maintain accounting records. Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations contained errors and did not balance. The outstanding check lists were not accurate. There were adjustments made to the bank reconciliations that could not be supported. The City's records do not permit the application of other auditing procedures to ascertain if the financial statement is fairly stated.

Disclaimer of Opinion

Because of the significance of the matter discussed in the *Basis for Disclaimer of Opinion* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on this financial statement.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 11, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City'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 City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph and because federal grant monies were not accurately and separately identified in the financial ledgers, it is inappropriate to and we do not express an opinion on the Schedule of Expenditures of Federal Awards referred to above.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of 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 any auditing procedures and, accordingly, we express no opinion on them.



Bruce Hartman
State Examiner

July 11, 2013



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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 CITY OF NEW CASTLE, HENRY COUNTY, INDIANA

We were engaged to 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, the financial statement of the City of New Castle (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated July 11, 2013. A disclaimer of opinion was issued on the financial statement because we were unable to verify if the financial statement is fairly stated.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 items 2012-1 and 2012-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

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)

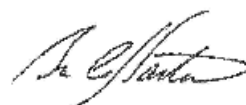
provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of New Castle's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City'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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Hartman
State Examiner

July 11, 2013

FINANCIAL STATEMENT

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

CITY OF NEW CASTLE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
GENERAL	\$ 152,713	\$ 10,387,733	\$ 9,800,058	\$ 740,388
MVH	98,891	497,452	513,359	82,984
LOCAL ROAD & STREET	320,576	339,178	285,573	374,181
AVIATION NON- REVERTING	42,663	16,054	22,066	36,651
GARNER & EASTSIDE BOND	(7,840)	46,088	37,995	253
PARK NON- REVERTING	22,571	2,902	1,338	24,135
SANITATION OPERATING	130,729	4	130,733	-
TRANSPORTATION	51,260	365,334	334,458	82,136
POLICE ED	45,363	26,468	14,990	56,841
CLERK'S RECORD PERPETUATION	4,324	788	-	5,112
RIVERBOAT	111,268	107,306	82,850	135,724
SANITATION DEPARTMENT	-	1,121,925	954,642	167,283
RAINY DAY	438,065	-	-	438,065
POLICE FED SHARING NON- REVERTING	4,765	17,662	2,951	19,476
NORTHFIELD TIF	135,547	103,907	77,595	161,859
CCI	83,531	48,044	75,077	56,498
CCD	286,410	130,363	185,055	231,718
SE/ DOWNTOWN (TIF) NON- REVERTING	347,879	181,823	187,438	342,264
INDIANA AVENUE TIF	-	513	-	513
IPFP EMPLEE CLEARING	-	34,980	34,980	-
HEALTH INS. CUM.	8,998	3,301,960	3,310,958	-
POLICE PENSION	457,872	727,673	727,956	457,589
FIRE PENSION	284,661	508,712	524,840	268,533
POLICE CANINE DONATION	485	19,205	17,797	1,893
POLICE ASSISTANCE	11,969	690	274	12,385
20.509 TRANSPORT. ARRA	(60)	162,929	231,920	(69,051)
SIDEWALK/ CRR NON- REVERTING	649	-	-	649
FIREMAN FUND AWARD	4,100	-	2,523	1,577
FIRE DOG DONATION	578	59	637	-
AQUATIC CENTER NON- REVERTING	14,165	50,000	-	64,165
FIRST AID UNIT DONATION	21,928	11,280	25,744	7,464
MAYOR DONATION	30	-	-	30
CITY CENTER NON- REVERTING	843	14,905	15,748	-
FIRE DEPT ASSISTANCE	710	56	-	766
FIRE DONATION	569	-	-	569
CEMETERY OPTIONS	12,623	8,485	8,650	12,458
CEMETERY NON- REVERTING	24,596	-	-	24,596
DEMOLITION	9,334	-	-	9,334
OPERATION PULLOVER	275	8,557	5,009	3,823

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

CITY OF NEW CASTLE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012
(Continued)

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
CUM. POOL NON- REVERTING	41,187	13,468	2,377	52,278
1ST AID RECOVERY NON- REVERTING	43,269	205,554	217,211	31,612
FIRE DONATION SHOP W/FIRE	4,202	18,224	15,000	7,426
RESTRICTED DONATIONS	-	11,628	8,991	2,637
PARK/POOL BOND BALANCE	2,499	-	750	1,749
POOL BOND & INTEREST	66,607	135,346	168,975	32,978
NON- REVERTING STREET & ROAD	8,274	-	-	8,274
POLICE SERVICES NON- REVERTING	6,675	3,646	1,979	8,342
C44P-1-273A-SHSP GRANT	(35,730)	38,300	2,570	-
TOWNSHIP FIRE NON- REVERTING	244,581	85,415	97,726	232,270
DOWNTOWN NON- REVERTING	116	-	-	116
NORTHFIELD DEBT SER. ESCROW	49,229	-	-	49,229
PERPETUAL MAINTENANCE	188,305	54,626	31,777	211,154
MAUSOLEUM NON- REVERTING	235	-	-	235
16.123 DOJ STIMULUS GRANT	425	-	425	-
14.228 NSP-1 DOWNTOWN & HOUSING	1,197	143,365	166,185	(21,623)
20.600 INDOT SIGN GRANT	(30,150)	68,025	62,080	(24,205)
20.509 INDOT GRANT GARNER	(16,642)	79,642	144,162	(81,162)
GARNER STREET DEBT RESERVE	86,000	-	-	86,000
PAYROLL	136,775	8,876,999	8,992,650	21,124
10900 INVESTMENTS	4,300	-	-	4,300
FLEX HEALTH SAVING ACCOUNT	10,136	6,886	5,110	11,912
STORM WATER N/R (W/W)	2,024,550	572,455	450,007	2,146,998
WASTEWATER OPERATING	113,241	4,444,704	4,440,743	117,202
WASTEWATER IMPROVEMENT	-	100,000	-	100,000
WASTEWATER CONSTRUCTION	-	678,970	-	678,970
WASTEWATER BOND & INTEREST	335,921	796,597	739,697	392,821
WASTEWATER DEBT SERVICE	691,584	-	-	691,584
WATER OPERATING	129,497	3,472,816	3,464,512	137,801
WATER METER DEPOSITS	60,900	33,924	26,100	68,724
WATER IMPROVEMENT	-	285,500	-	285,500
WATER BOND & INTEREST	20,347	236,107	256,454	-
WATER CONSTRUCTION	19,514	-	15,100	4,414
WATER DEBT SERVICE	85,500	-	85,500	-
SPECIAL UTILITIES	2,750	285,221	285,612	2,359
UTILITIES CC ACCOUNT	5,901	180,939	178,866	7,974
Totals	<u>\$ 7,424,235</u>	<u>\$ 39,071,392</u>	<u>\$ 37,473,773</u>	<u>\$ 9,021,854</u>

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

CITY OF NEW CASTLE
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts 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 City.

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

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

CITY OF NEW CASTLE
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

Utility fees which are comprised mostly of charges for current services and penalties 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 City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

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

CITY OF NEW CASTLE
NOTES TO FINANCIAL STATEMENT
(Continued)

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

CITY OF NEW CASTLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

CITY OF NEW CASTLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the 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.

CITY OF NEW CASTLE
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Plan Description

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

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

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

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

Funding Policy

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of reimbursable grants. The reimbursement for expenditures made by the City was not received by December 31, 2012.

Note 8. Other Postemployment Benefits

The City provides to eligible retirees and their spouses the following benefit: medical insurance. This benefit poses a liability to the City for this year and in future years. Information regarding the benefit can be obtained by contacting the City.

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SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

CITY OF NEW CASTLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	GENERAL	MVH	LOCAL ROAD & STREET	AVIATION NON- REVERTING	GARNER & EASTSIDE BOND	PARK NON- REVERTING	SANITATION OPERATING
Cash and investments - beginning	\$ 152,713	\$ 98,891	\$ 320,576	\$ 42,663	\$ (7,840)	\$ 22,571	\$ 130,729
Receipts:							
Taxes	5,219,869	7,627	184,946	15,798	-	-	-
Licenses and permits	193,063	-	-	-	-	-	-
Intergovernmental	3,136,877	465,100	83,182	256	-	-	-
Charges for services	1,367,786	-	-	-	-	-	4
Fines and forfeits	31,267	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	438,871	24,725	71,050	-	46,088	2,902	-
Total receipts	<u>10,387,733</u>	<u>497,452</u>	<u>339,178</u>	<u>16,054</u>	<u>46,088</u>	<u>2,902</u>	<u>4</u>
Disbursements:							
Personal services	7,553,626	372,551	-	-	-	-	130,733
Supplies	305,170	47,000	105,441	-	-	-	-
Other services and charges	1,567,786	85,785	185	22,066	-	-	-
Debt service - principal and interest	-	-	179,947	-	37,995	-	-
Capital outlay	1,811	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	371,665	8,023	-	-	-	1,338	-
Total disbursements	<u>9,800,058</u>	<u>513,359</u>	<u>285,573</u>	<u>22,066</u>	<u>37,995</u>	<u>1,338</u>	<u>130,733</u>
Excess (deficiency) of receipts over disbursements	<u>587,675</u>	<u>(15,907)</u>	<u>53,605</u>	<u>(6,012)</u>	<u>8,093</u>	<u>1,564</u>	<u>(130,729)</u>
Cash and investments - ending	<u>\$ 740,388</u>	<u>\$ 82,984</u>	<u>\$ 374,181</u>	<u>\$ 36,651</u>	<u>\$ 253</u>	<u>\$ 24,135</u>	<u>\$ -</u>

CITY OF NEW CASTLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	TRANSPORTATION	POLICE ED	CLERK'S RECORD PERPETUATION	RIVERBOAT	SANITATION DEPARTMENT	RAINY DAY	POLICE FED SHARING NON- REVERTING
Cash and investments - beginning	\$ 51,260	\$ 45,363	\$ 4,324	\$ 111,268	\$ -	\$ 438,065	\$ 4,765
Receipts:							
Taxes	67,285	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	278,278	-	-	107,306	-	-	-
Charges for services	19,086	18,169	788	-	1,121,925	-	-
Fines and forfeits	-	4,585	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	685	3,714	-	-	-	-	17,662
Total receipts	<u>365,334</u>	<u>26,468</u>	<u>788</u>	<u>107,306</u>	<u>1,121,925</u>	<u>-</u>	<u>17,662</u>
Disbursements:							
Personal services	243,699	-	-	-	321,345	-	-
Supplies	50,072	7,804	-	-	270,635	-	-
Other services and charges	40,687	7,186	-	-	362,570	-	2,951
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	82,850	92	-	-
Total disbursements	<u>334,458</u>	<u>14,990</u>	<u>-</u>	<u>82,850</u>	<u>954,642</u>	<u>-</u>	<u>2,951</u>
Excess (deficiency) of receipts over disbursements	<u>30,876</u>	<u>11,478</u>	<u>788</u>	<u>24,456</u>	<u>167,283</u>	<u>-</u>	<u>14,711</u>
Cash and investments - ending	<u>\$ 82,136</u>	<u>\$ 56,841</u>	<u>\$ 5,112</u>	<u>\$ 135,724</u>	<u>\$ 167,283</u>	<u>\$ 438,065</u>	<u>\$ 19,476</u>

CITY OF NEW CASTLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	NORTHFIELD TIF	CCI	CCD	SE/ DOWNTOWN (TIF) NON- REVERTING	INDIANA AVENUE TIF	IPFP EMPLOYEE CLEARING	HEALTH INS. CUM.
Cash and investments - beginning	\$ 135,547	\$ 83,531	\$ 286,410	\$ 347,879	\$ -	\$ -	\$ 8,998
Receipts:							
Taxes	-	-	128,292	181,823	513	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	103,907	48,044	2,071	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	34,980	3,301,960
Total receipts	<u>103,907</u>	<u>48,044</u>	<u>130,363</u>	<u>181,823</u>	<u>513</u>	<u>34,980</u>	<u>3,301,960</u>
Disbursements:							
Personal services	-	-	-	-	-	34,980	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	3,310,958
Debt service - principal and interest	-	-	57,830	-	-	-	-
Capital outlay	77,595	75,077	127,225	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	187,438	-	-	-
Total disbursements	<u>77,595</u>	<u>75,077</u>	<u>185,055</u>	<u>187,438</u>	<u>-</u>	<u>34,980</u>	<u>3,310,958</u>
Excess (deficiency) of receipts over disbursements	<u>26,312</u>	<u>(27,033)</u>	<u>(54,692)</u>	<u>(5,615)</u>	<u>513</u>	<u>-</u>	<u>(8,998)</u>
Cash and investments - ending	<u>\$ 161,859</u>	<u>\$ 56,498</u>	<u>\$ 231,718</u>	<u>\$ 342,264</u>	<u>\$ 513</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NEW CASTLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	POLICE PENSION	FIRE PENSION	POLICE CANINE DONATION	POLICE ASSISTANCE	20.509 TRANSPORT. ARRA	SIDEWALK/ CRR NON- REVERTING	FIREMAN FUND AWARD
Cash and investments - beginning	\$ 457,872	\$ 284,661	\$ 485	\$ 11,969	\$ (60)	\$ 649	\$ 4,100
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	727,673	508,712	-	-	162,929	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	19,205	690	-	-	-
Total receipts	<u>727,673</u>	<u>508,712</u>	<u>19,205</u>	<u>690</u>	<u>162,929</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	727,780	524,840	-	-	-	-	-
Supplies	176	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	17,797	274	231,920	-	2,523
Total disbursements	<u>727,956</u>	<u>524,840</u>	<u>17,797</u>	<u>274</u>	<u>231,920</u>	<u>-</u>	<u>2,523</u>
Excess (deficiency) of receipts over disbursements	<u>(283)</u>	<u>(16,128)</u>	<u>1,408</u>	<u>416</u>	<u>(68,991)</u>	<u>-</u>	<u>(2,523)</u>
Cash and investments - ending	<u>\$ 457,589</u>	<u>\$ 268,533</u>	<u>\$ 1,893</u>	<u>\$ 12,385</u>	<u>\$ (69,051)</u>	<u>\$ 649</u>	<u>\$ 1,577</u>

CITY OF NEW CASTLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	FIRE DOG DONATION	AQUATIC CENTER NON- REVERTING	FIRST AID UNIT DONATION	MAYOR DONATION	CITY CENTER NON- REVERTING	FIRE DEPT ASSISTANCE	FIRE DONATION
Cash and investments - beginning	\$ 578	\$ 14,165	\$ 21,928	\$ 30	\$ 843	\$ 710	\$ 569
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	4,475	56	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	59	50,000	11,280	-	10,430	-	-
Total receipts	<u>59</u>	<u>50,000</u>	<u>11,280</u>	<u>-</u>	<u>14,905</u>	<u>56</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	2	-	-
Other services and charges	-	-	-	-	15,746	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	637	-	25,744	-	-	-	-
Total disbursements	<u>637</u>	<u>-</u>	<u>25,744</u>	<u>-</u>	<u>15,748</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(578)</u>	<u>50,000</u>	<u>(14,464)</u>	<u>-</u>	<u>(843)</u>	<u>56</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 64,165</u>	<u>\$ 7,464</u>	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ 766</u>	<u>\$ 569</u>

CITY OF NEW CASTLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	CEMETERY OPTIONS	CEMETERY NON- REVERTING	DEMOLITION	OPERATION PULLOVER	CUM. POOL NON- REVERTING	1ST AID RECOVERY NON- REVERTING	FIRE DONATION SHOP W/FIRE
Cash and investments - beginning	\$ 12,623	\$ 24,596	\$ 9,334	\$ 275	\$ 41,187	\$ 43,269	\$ 4,202
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	8,485	-	-	8,557	13,229	205,554	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	239	-	18,224
Total receipts	<u>8,485</u>	<u>-</u>	<u>-</u>	<u>8,557</u>	<u>13,468</u>	<u>205,554</u>	<u>18,224</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	8,650	-	-	-	-	217,211	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	2,377	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	5,009	-	-	15,000
Total disbursements	<u>8,650</u>	<u>-</u>	<u>-</u>	<u>5,009</u>	<u>2,377</u>	<u>217,211</u>	<u>15,000</u>
Excess (deficiency) of receipts over disbursements	<u>(165)</u>	<u>-</u>	<u>-</u>	<u>3,548</u>	<u>11,091</u>	<u>(11,657)</u>	<u>3,224</u>
Cash and investments - ending	<u>\$ 12,458</u>	<u>\$ 24,596</u>	<u>\$ 9,334</u>	<u>\$ 3,823</u>	<u>\$ 52,278</u>	<u>\$ 31,612</u>	<u>\$ 7,426</u>

CITY OF NEW CASTLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	RESTRICTED DONATIONS	PARK/POOL BOND BALANCE	POOL BOND & INTEREST	NON- REVERTING STREET & ROAD	POLICE SERVICES NON- REVERTING	C44P-1-273A-SHSP GRANT	TOWNSHIP FIRE NON- REVERTING
Cash and investments - beginning	\$ -	\$ 2,499	\$ 66,607	\$ 8,274	\$ 6,675	\$ (35,730)	\$ 244,581
Receipts:							
Taxes	-	-	122,472	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	12,874	-	-	-	-
Charges for services	-	-	-	-	-	-	85,415
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	11,628	-	-	-	3,646	38,300	-
Total receipts	11,628	-	135,346	-	3,646	38,300	85,415
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	8,991	750	-	-	-	-	-
Debt service - principal and interest	-	-	168,975	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	1,979	2,570	97,726
Total disbursements	8,991	750	168,975	-	1,979	2,570	97,726
Excess (deficiency) of receipts over disbursements	2,637	(750)	(33,629)	-	1,667	35,730	(12,311)
Cash and investments - ending	\$ 2,637	\$ 1,749	\$ 32,978	\$ 8,274	\$ 8,342	\$ -	\$ 232,270

CITY OF NEW CASTLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	DOWNTOWN NON- REVERTING	NORTHFIELD DEBT SER. ESCROW	PERPETUAL MAINTENANCE	MAUSOLEUM NON- REVERTING	16.123 DOJ STIMULUS GRANT	14.228 NSP-1 DOWNTOWN & HOUSING	20.600 INDOT SIGN GRANT
Cash and investments - beginning	\$ 116	\$ 49,229	\$ 188,305	\$ 235	\$ 425	\$ 1,197	\$ (30,150)
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	137,574	68,025
Charges for services	-	-	54,626	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	5,791	-
Total receipts	<u>-</u>	<u>-</u>	<u>54,626</u>	<u>-</u>	<u>-</u>	<u>143,365</u>	<u>68,025</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	62,080
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	31,777	-	425	166,185	-
Total disbursements	<u>-</u>	<u>-</u>	<u>31,777</u>	<u>-</u>	<u>425</u>	<u>166,185</u>	<u>62,080</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>22,849</u>	<u>-</u>	<u>(425)</u>	<u>(22,820)</u>	<u>5,945</u>
Cash and investments - ending	<u>\$ 116</u>	<u>\$ 49,229</u>	<u>\$ 211,154</u>	<u>\$ 235</u>	<u>\$ -</u>	<u>\$ (21,623)</u>	<u>\$ (24,205)</u>

CITY OF NEW CASTLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	20.509 INDOT GRANT GARNER	GARNER STREET DEBT RESERVE	PAYROLL	10900 INVESTMENTS	FLEX HEALTH SAVING ACCOUNT	STORM WATER N/R (W/W)	WASTEWATER OPERATING
Cash and investments - beginning	\$ (16,642)	\$ 86,000	\$ 136,775	\$ 4,300	\$ 10,136	\$ 2,024,550	\$ 113,241
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	79,642	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	572,455	4,444,704
Other receipts	-	-	8,876,999	-	6,886	-	-
Total receipts	<u>79,642</u>	<u>-</u>	<u>8,876,999</u>	<u>-</u>	<u>6,886</u>	<u>572,455</u>	<u>4,444,704</u>
Disbursements:							
Personal services	-	-	8,992,650	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	450,007	4,438,909
Other disbursements	144,162	-	-	-	5,110	-	1,834
Total disbursements	<u>144,162</u>	<u>-</u>	<u>8,992,650</u>	<u>-</u>	<u>5,110</u>	<u>450,007</u>	<u>4,440,743</u>
Excess (deficiency) of receipts over disbursements	<u>(64,520)</u>	<u>-</u>	<u>(115,651)</u>	<u>-</u>	<u>1,776</u>	<u>122,448</u>	<u>3,961</u>
Cash and investments - ending	<u>\$ (81,162)</u>	<u>\$ 86,000</u>	<u>\$ 21,124</u>	<u>\$ 4,300</u>	<u>\$ 11,912</u>	<u>\$ 2,146,998</u>	<u>\$ 117,202</u>

CITY OF NEW CASTLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	WASTEWATER IMPROVEMENT	WASTEWATER CONSTRUCTION	WASTEWATER BOND & INTEREST	WASTEWATER DEBT SERVICE	WATER OPERATING	WATER METER DEPOSITS	WATER IMPROVEMENT
Cash and investments - beginning	\$ -	\$ -	\$ 335,921	\$ 691,584	\$ 129,497	\$ 60,900	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	3,472,816	33,924	-
Other receipts	100,000	678,970	796,597	-	-	-	285,500
Total receipts	100,000	678,970	796,597	-	3,472,816	33,924	285,500
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	2,142,942	26,100	-
Other disbursements	-	-	739,697	-	1,321,570	-	-
Total disbursements	-	-	739,697	-	3,464,512	26,100	-
Excess (deficiency) of receipts over disbursements	100,000	678,970	56,900	-	8,304	7,824	285,500
Cash and investments - ending	\$ 100,000	\$ 678,970	\$ 392,821	\$ 691,584	\$ 137,801	\$ 68,724	\$ 285,500

CITY OF NEW CASTLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	WATER BOND & INTEREST	WATER CONSTRUCTION	WATER DEBT SERVICE	SPECIAL UTILITIES	UTILITIES CC ACCOUNT	Totals
Cash and investments - beginning	\$ 20,347	\$ 19,514	\$ 85,500	\$ 2,750	\$ 5,901	\$ 7,424,235
Receipts:						
Taxes	-	-	-	-	-	5,928,625
Licenses and permits	-	-	-	-	-	193,063
Intergovernmental	-	-	-	-	-	5,922,450
Charges for services	-	-	-	-	-	2,908,155
Fines and forfeits	-	-	-	-	-	35,852
Utility fees	-	-	-	285,221	180,939	8,990,059
Other receipts	236,107	-	-	-	-	15,093,188
Total receipts	<u>236,107</u>	<u>-</u>	<u>-</u>	<u>285,221</u>	<u>180,939</u>	<u>39,071,392</u>
Disbursements:						
Personal services	-	-	-	-	-	18,902,204
Supplies	-	-	-	-	-	786,300
Other services and charges	-	-	-	-	-	5,651,522
Debt service - principal and interest	-	-	-	-	-	444,747
Capital outlay	-	-	-	-	-	346,165
Utility operating expenses	-	15,100	85,500	285,612	178,866	7,623,036
Other disbursements	256,454	-	-	-	-	3,719,799
Total disbursements	<u>256,454</u>	<u>15,100</u>	<u>85,500</u>	<u>285,612</u>	<u>178,866</u>	<u>37,473,773</u>
Excess (deficiency) of receipts over disbursements	<u>(20,347)</u>	<u>(15,100)</u>	<u>(85,500)</u>	<u>(391)</u>	<u>2,073</u>	<u>1,597,619</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 4,414</u>	<u>\$ -</u>	<u>\$ 2,359</u>	<u>\$ 7,974</u>	<u>\$ 9,021,854</u>

CITY OF NEW CASTLE
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ -	\$ 306,217
Water	-	141,613
Governmental activities	57,181	-
Totals	\$ 57,181	\$ 447,830

CITY OF NEW CASTLE
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Capital One	2 2010 Braun Chief XL Type III Ambulances	\$ 117,857	10-01-11	10-01-13
TCF Equipment Finance	2 LaBrie Automizer Trucks and Toters	180,571	07-17-10	07-17-16
TCF Equipment Finance	1 LaBrie Truck	<u>50,508</u>	06-23-11	06-23-17
Total governmental activities		<u>348,936</u>		
Total of annual lease payments		<u>\$ 348,936</u>		
Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year	
Governmental activities:				
General obligation bonds	Park District Bonds 2006	\$ 1,430,000	\$ 169,756	
General obligation bonds	Garner Eastside Bond 2009	685,000	114,508	
Revenue bonds	NC Redevelopment TIF Bonds 2009	<u>415,000</u>	<u>59,396</u>	
Total governmental activities		<u>2,530,000</u>	<u>343,660</u>	
Wastewater:				
Revenue bonds	Sewage Works Revenue Bonds 2006	1,585,000	158,977	
Revenue bonds	Sewage Works Revenue Bonds SRF 2000	<u>4,105,000</u>	<u>524,046</u>	
Total Wastewater		<u>5,690,000</u>	<u>683,023</u>	
Totals		<u>\$ 8,220,000</u>	<u>\$ 1,026,683</u>	

CITY OF NEW CASTLE
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

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.

	Balance
Governmental activities:	
Land	\$ 190,000
Infrastructure	5,483,744
Buildings	3,075,336
Improvements other than buildings	719,367
Machinery, equipment, and vehicles	6,013,746
Total governmental activities	15,482,193
Wastewater:	
Land	39,513
Infrastructure	6,425,708
Buildings	12,859,966
Improvements other than buildings	20,407,875
Machinery, equipment, and vehicles	5,522,942
Construction in progress	3,462,991
Total Wastewater	48,718,995
Water:	
Land	325,082
Infrastructure	504,398
Buildings	752,193
Improvements other than buildings	8,353,676
Machinery, equipment, and vehicles	764,298
Construction in progress	464,493
Total Water	11,164,140
Total capital assets	\$ 75,365,328

CITY OF NEW CASTLE
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations contained errors and did not balance. The outstanding check lists were not accurate. There were adjustments made to the bank reconcilements that could not be supported.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

ERRORS ON CLAIMS

A test (sample) of claims identified the following deficiencies with an error rate greater than 10 percent.

Of the claims tested, 17.5 percent did not have Board approval. This error resulted in \$1,990.53 expenditures which did not have proper Board approval.

Indiana Code 5-11-10-1.6 states in part: "(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . . payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of New Castle's (City) 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 its major federal program for the year ended December 31, 2012. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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 the City's major federal program 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 City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on Formula Grants for Other Than Urbanized Areas

As described in item 2012-3 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding *Activities Allowed and Unallowed and Allowable Costs/Cost Principles* that are applicable to its Formula Grants for Other Than Urbanized Areas. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

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

Qualified Opinion on Formula Grants for Other Than Urbanized Areas

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Formula Grants for Other Than Urbanized Areas for the year ended December 31, 2012.

Other Matters

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

Report on Internal Control Over Compliance

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

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

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-3 and 2012-4 to be material weaknesses.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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.



Bruce Hartman
State Examiner

July 11, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

CITY OF NEW CASTLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2012

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	Audited Total Federal Awards Expended
<u>U.S. 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 NSP 1	Indiana Housing and Community Development Authority	14.228	NSP1-009-010	\$ 143,365
Total - CDBG - State-Administered CDBG Cluster				<u>143,365</u>
Total - Department of Housing and Urban Development				<u>143,365</u>
<u>U.S. Department of Justice</u>				
Equitable Sharing Program	Direct	16.922		<u>17,661</u>
<u>U.S. Department of Transportation</u>				
Highway Planning and Construction Cluster Highway Planning and Construction	Indiana Department of Transportation	20.205	R-28017-B	<u>55,856</u>
Highway Safety Cluster State and Community Highway Safety	Indiana Criminal Justice Institute	20.600	032NHSTA40222013	1,371
Safety Belt Performance Grants		20.609	032NHTSA4062012	<u>2,634</u>
Total - Highway Safety Cluster				<u>4,005</u>
Formula Grants for Other Than Urbanized Areas	Indiana Department of Transportation	20.509	FY2011OPERATING FY2012OPERATING	20,429 <u>180,179</u>
Total Operating Formula Grants for Other Than Urbanized Areas				<u>200,608</u>
ARRA - Formula Grants for Other Than Urbanized Areas	Indiana Department of Transportation	20.509	EDS#A249-09-321053 EDS#A249-10-321078	60 <u>162,929</u>
Total ARRA - Formula Grants for Other Than Urbanized Areas				<u>162,989</u>
Total Formula Grants for Other Than Urbanized Areas				<u>363,597</u>
Total - Department of Transportation				<u>423,458</u>
<u>Department of Homeland Security</u>				
Homeland Security Cluster State Homeland Security Program (SHSP)	Treasurer of Delaware County, Indiana	97.073	C44P-1-273A	<u>38,300</u>
Total federal awards expended				<u>\$ 622,784</u>

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

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

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of New Castle and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF NEW CASTLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Disclaimer
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Qualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Program:

CFDA Number	Name of Federal Program or Cluster
20.509	Formula Grants for Other Than Urbanized Areas

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2012-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the City of New Castle related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statements and then determining how those identified risks should be managed. The City has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.

CITY OF NEW CASTLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2. **Monitoring of Controls:** Effective internal control over financial reporting requires the Board of Works to monitor and assess the quality of the City's system of internal control. The Board of Works has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the City at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the City has no process to identify or communicate corrective actions to improve controls.

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)

FINDING 2012-2 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING, PREPARATION OF THE SCHEDULE OF FEDERAL EXPENDITURES

The City 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 City 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.

During the audit of the SEFA, we noted the following errors:

1. Expenditures for the Equitable Sharing Program in the amount of \$17,661 were omitted from the SEFA.
2. Expenditures for the Highway Planning and Construction grants were overstated by \$150,386 due to reporting of expenditures of local matching funds as federal expenditures.
3. Expenditures for the Highway Safety Cluster grants in the amount of \$4,005 were omitted from the SEFA.
4. Expenditures for the Formula Grants for Other Than Urbanized Areas (Operating Grant) in the amount of \$200,608 were omitted from the SEFA.
5. Expenditures for the Homeland Security Cluster grants in the amount of \$38,300 were omitted from the SEFA.

Audit adjustments were proposed, accepted by the City, 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 statements.

CITY OF NEW CASTLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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)

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-3 - Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Federal Agency: U.S. Department of Transportation

Federal Program: Formula Grants for Other Than Urbanized Areas

CFDA Number: 20.509

Federal Award Number and Year (or Other Identifying Number): FY2012 Operating and
EDS#A249-10-321078

Pass-Through Entity: Indiana Department of Transportation

Management of the City of New Castle has not established an effective internal control system, which would include segregation of duties, related to Activities Allowed or Unallowed and Allowable Costs/Cost Principals. An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

The Board of Works approves claims through signatures on the claim dockets on a weekly basis. However, the claim dockets are incomplete and do not include all claims. Claims prepared on the date of the meetings of the Board of Works were not included on claim dockets. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

Expenditures which were not allowable to federal programs were paid from the Formula Grants for Other Than Urbanized Areas Operating Grant. These expenditures include payments to the New Castle Band Boosters, the Henry County Democratic Central Committee, and the New Castle Girls' Soccer program. All of these expenditures were coded as advertising expense. These payments totaled \$375.

CITY OF NEW CASTLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

49 USC 5311(b) states in part:

"General Authority. –

- (1) Grants authorized. - Except as provided by paragraph (2), the Secretary may award grants under this section to recipients located in areas other than urbanized areas for –
 - (A) public transportation capital projects;
 - (B) operating costs of equipment and facilities for use in public transportation; and
 - (C) the acquisition of public transportation services, including service agreements with private providers of public transportation services.
- (2) State program. –
 - (A) In general. - A project eligible for a grant under this section shall be included in a State program for public transportation service projects, including agreements with private providers of public transportation service.
 - (B) Submission to secretary. - Each State shall submit to the Secretary annually the program described in subparagraph (A).
 - (C) Approval. - The Secretary may not approve the program unless the Secretary determines that –
 - (i) the program provides a fair distribution of amounts in the State, including Indian reservations; and
 - (ii) the program provides the maximum feasible coordination of public transportation service assisted under this section with transportation service assisted by other Federal sources.
- (3) Rural transportation assistance program. –
 - (A) In general. - The Secretary shall carry out a rural transportation assistance program in other than urbanized areas.
 - (B) Grants and contracts. - In carrying out this paragraph, the Secretary may use not more than 2 percent of the amount made available to carry out this section to make grants and contracts for transportation research, technical assistance, training, and related support services in other than urbanized areas.
 - (C) Projects of a national scope. - Not more than 15 percent of the amounts available under subparagraph (B) may be used by the Secretary to carry out projects of a national scope, with the remaining balance provided to the States."

CITY OF NEW CASTLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 225 Appendix B Section 1 states:

"1. Advertising and public relations costs.

- a. The term advertising costs means the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and the like.
- b. The term public relations includes community relations and means those activities dedicated to maintaining the image of the governmental unit or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.
- c. The only allowable advertising costs are those which are solely for:
 - (1) The recruitment of personnel required for the performance by the governmental unit of obligations arising under a Federal award;
 - (2) The procurement of goods and services for the performance of a Federal award;
 - (3) The disposal of scrap or surplus materials acquired in the performance of a Federal award except when governmental units are reimbursed for disposal costs at a predetermined amount; or
 - (4) Other specific purposes necessary to meet the requirements of the Federal award.
- d. The only allowable public relations costs are:
 - (1) Costs specifically required by the Federal award;
 - (2) Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of Federal awards (these costs are considered necessary as part of the outreach effort for the Federal award); or
 - (3) Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary keep the public informed on matters of public concern, such as notices of Federal contract/grant awards, financial matters, etc.
- e. Costs identified in subsections c and d if incurred for more than one Federal award or for both sponsored work and other work of the governmental unit, are allowable to the extent that the principles in Appendix A to this part, sections E. ("Direct Costs") and F. ("Indirect Costs") are observed.
- f. Unallowable advertising and public relations costs include the following:
 - (1) All advertising and public relations costs other than as specified in subsections 1.c, d, and e of this appendix;

CITY OF NEW CASTLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (2) Costs of meetings, conventions, convocations, or other events related to other activities of the governmental unit, including:
 - (a) Costs of displays, demonstrations, and exhibits;
 - (b) Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and
 - (c) Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings;
- (3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs;
- (4) Costs of advertising and public relations designed solely to promote the governmental unit."

2 CFR 225 Appendix B Section 12 states:

"12. *Donations and contributions.*

- a. Contributions or donations rendered. Contributions or donations, including cash, property, and services, made by the governmental unit, regardless of the recipient, are unallowable."

2 CFR 225 Appendix B Section 17 states:

"17. *Fund raising and investment management costs.*

- a. Costs of organized fund raising, including financial campaigns, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable, regardless of the purpose for which the funds will be used."

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, related to Activities Allowed or Unallowed and Allowable Costs/Cost Principals.

CITY OF NEW CASTLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

**FINDING 2012-4 - INTERNAL CONTROLS OVER DAVIS-BACON
AND PROCUREMENT, SUSPENSION AND DEBARMENT**

Federal Agency: U.S. Department of Transportation
Federal Program: Formula Grants for Other Than Urbanized Areas
CFDA Number: 20.509
Federal Award Number and Year (or Other Identifying Number): FY2012 Operating and
EDS#A249-10-321078
Pass-Through Entity: Indiana Department of Transportation

Internal controls had not been implemented by the City which would ensure that certified payrolls were submitted for all contracts greater than \$2,000. Further, procedures for monitoring the wages paid as reported on certified payrolls were not in place.

In addition, the City had not implemented controls which would ensure that contractors and sub-contractors are not suspended or debarred parties. However, the City did properly follow state procurement statutes by obtaining quotes where required.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activities.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, related to Davis-Bacon and Procurement, Suspension and Debarment.

City of New Castle, Indiana

Greg York, Mayor

June 3, 2012

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

RE: Summary schedule of Prior Audit Findings

SBA Audit Report Number:

Fiscal Year	2012
Auditee Contact Person	Greg York
Title of Contact Person	Mayor
Phone Number	765-529-7605
Status Finding	Corrected

Finding Number 2011-1, Procurement

Effective 1/1/2012 as the newly elected Mayor of the City of New Castle, internal controls of procurement was implemented and all departments were directed to follow the established policies of the IACT Public Construction and Purchasing Guide issued August 2011 and as updated by Indiana Code Law and Statute.

As of 6/10/2013 the New Castle Board of Works and Safety updated and adopted this order as city policy for purchasing (Policy #8.6 of the City of New Castle Policies and Procedures).



Greg York, Mayor
City of New Castle

Attachments: Page 17 of the IACT Guide for reference
Updated City Policy 8.6

Methods for Purchasing




All purchases of supplies must be bid, unless another method or procedure is available. Purchases may not be artificially divided so as to constitute a small purchase [IC 5-22-8-1]. The following table outlines the general process for each price category.

<p><u>Purchases < \$50,000</u></p>	<p>No quote or bid process required [IC 5-22-8] Purchasing agent may make a purchase of less than \$50,000, without formal quotes or bids process, <u>as long as it follows the small purchase policies or rules</u> established by the purchasing agency or governmental body.</p>
<p><u>Purchases between \$50,000 - \$150,000</u></p>	<p>Quotes process required [IC 5-22-8] Purchasing agent may purchase supplies by inviting quotes from at least three (3) persons known to deal in the lines or classes of supplies to be purchased. Invitations to quote shall be mailed at least seven (7) days before time fixed for receiving quotes. If a satisfactory quote is received, purchasing agent shall award a contract to the lowest responsible bidder. All quotes may be rejected. If no quotes are received by a responsible and responsive offer or, the purchasing agent may purchase supplies using the methods outlined for "special purchases."</p>
<p><u>Purchases > \$150,000</u></p>	<p>Competitive bid process [IC 5-22-7] For purchases greater than \$150,000, the competitive bid process includes:</p> <ol style="list-style-type: none"> 1) Issue invitation for bids that includes - purchase description, all contractual terms and conditions, state of evaluation criteria, time and place for opening bids, financial proof requirements, and a statement on conditions under which a bid may be cancelled or rejected in whole or in part. 2) Invitations must meet public notice requirements IC 5-3-1 (Two notices, published at least one week apart with the second notice published at least 10 days prior to deadline for receiving bids) 3) Open bids publicly <p>A contract must be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder. Bids may not be changed after they have been submitted (in price or other provisions).</p>

CITY OF NEW CASTLE POLICIES AND PROCEDURES

CHAPTER: Fiscal Management
SUBJECT: Purchasing and Bids
POLICY: 8.6

Issue Date: January 1, 2012
Adoption Date: June 10, 2013

Authorized by:  _____, Mayor
BOW  _____, Director of Public Works
 _____, City Attorney

I. POLICY

The City of New Castle follows all applicable federal, state and local laws in insuring responsible and responsive fiscal control of purchasing.

II. DEFINITIONS

Department Head – A Superintendent, Commissioner, Chief or Manager of a department of the local Government of the City of New Castle, Indiana

III. PROCEDURES

A. SCOPE AND AUTHORITY

The Mayor, City Council and Board of Works establish fiscal policies for the City of New Castle. The Board of Works shall approve the purchase of all professional services. The Director of Public Works is the authorized purchasing agent for capital and construction purchases and the City Purchasing Agent is the authorized purchasing agent for daily operating purchases for the City of New Castle, as designated by the Mayor. The Mayor may designate others to authorize certain purchases at his/her discretion.

The Mayor and his/her designated purchasing agents may make a special purchase when there exists, under emergency conditions, a threat to public health, welfare or safety. Otherwise, the following procedures are to be followed.

B. ALL CITY PURCHASING REGULATIONS

All purchases of professional services, supplies, equipment, construction, etc. will follow the method and procedures established by IC 5-22-1 Public Purchasing. Purchases may not be artificially divided so as to constitute a small purchase.

CITY OF NEW CASTLE

227 North Main Street
New Castle, Indiana 47362

City Clerk Treasurer's Office
Christy York, City Clerk Treasurer

June 25, 2012

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

RE: Corrective Action Plan
Fiscal Year 2012
Auditee Contact Person Christy York
Title of Contact Person Clerk Treasurer
Phone Number 765-521-6803
Status Finding Corrected

Finding Number 2012-1, Internal controls over financial transactions and reporting

Corrective action is currently in process to pull financial records back to 2009 and review forward for accuracy. Any errors found will be documented and presented for review to SBOA for guidance in adjusting to balance all funds. Internal Controls are under review by current administration. Corrective action was taken upon notification by SBOA, back to 1/1/2013, to correct date issue of the distribution docket.

Finding Number 2012-2, Internal controls over financial transactions and reporting federal expenditures

Appropriate steps and procedures will be established to separate revenue and disbursements of federal, state and city matching funds. Internal controls are under review by current administration.

Find Number 2012-3, Activities allowed or unallowed and allowable costs/cost principles

Internal controls are under review by current administration to establish polices in regard to advertising and public relations. Ordinances will be established and/or amended to follow all applicable federal, state and local laws.

Find Number 2012-4, Internal controls over compliance requirements that have a direct and material effect on Davis-Bacon and Procurement, Suspension and Debarment

Internal controls are under review by current administration to establish polices regarding purchasing/procurement. As of June 10, 2013 the Board of Works and Safety adopted city policy on purchasing. City administration will present an amendment to Council to amend the current purchasing ordinance to comply with federal, state and local law in regard to grant and city purchasing/procurement.

Sincerely,

A handwritten signature in cursive script that reads "Christy York". The signature is written in black ink and is positioned above the printed name and title.

Christy York
Clerk Treasurer
City of New Castle

Cc: Greg York, Mayor
Mark Koger, Council President

CITY OF NEW CASTLE
EXIT CONFERENCE

The contents of this report were discussed on July 11, 2013, with Christy York, Clerk-Treasurer; Greg York, Mayor; and Mark Koger, President of the Common Council.