

B37632

**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, 2008 to December 31, 2008



**FILED**  
10/07/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janice L. Lavarney	01-01-08 to 12-31-11
Mayor	Hon. Jim Small	01-01-08 to 12-31-11
City Court Judge	Donald Hamilton	01-01-08 to 12-31-11
President of the Board of Public Works	Hon. Jim Small	01-01-08 to 12-31-11
President of the Common Council	Sandy York	01-01-08 to 12-31-11
Utility Office Manager	Carl Surber	01-01-08 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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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, 2008 to December 31, 2008. 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, 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

September 9, 2010

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, 2008

	Cash and Investments			Cash and Investments		
	01-01-08	Receipts	Disbursements	12-31-08		
<b>Governmental Funds:</b>						
General	\$ 341,222	\$ 14,944,869	\$ 14,621,555	\$ 664,536		
Motor Vehicle Highway	149,684	533,399	651,842	31,241		
Local Road and Street	95,704	276,799	333,726	38,777		
Street and Road Fund Non Reverting	-	607	-	607		
Aviation Non Reverting	14,519	49,406	14,542	49,383		
Police Canine Donation	570	-	-	570		
Police Assistance	2,308	34,069	7,960	28,417		
Transportation	189,942	354,119	465,260	78,801		
Law Enforcement Continuing Education	30,801	24,740	16,328	39,213		
First Aid Donation	1,423	186	-	1,609		
Mayor Donation	38	1,350	1,358	30		
Community Center	20,331	15,251	20,900	14,682		
Fire Department Assistance	687	18	-	705		
Fire Donation	1,017	-	-	1,017		
Cemetery Perpetual Maintenance	226,440	41,253	39,893	227,800		
Cemetery Non Reverting	23,021	900	-	23,921		
Drug Abuse Law Enforcement	-	-	-	-		
Demolition	14,777	6,179	16,267	4,689		
Operation Pullover	383	5,700	5,718	365		
Aquatic Center	1,030	53,435	52,414	2,051		
Park Non Reverting	34,222	69,534	42,505	61,251		
Park Shelter (Maxwell) House	69	100	-	169		
First Aid Recovery	190,317	189,612	247,849	132,080		
Fire Donation Shop With Firemen	250	11,050	9,950	1,350		
Riverboat	5,394	-	2,864	2,530		
Downtown Revitalization	13,914	-	-	13,914		
Mausoleum Non Reverting	235	-	-	235		
City Court Non Reverting	7,224	2,264	9,488	-		
City Fines-Late Fees	4,947	12,806	17,753	-		
City Share of Court Costs	6,401	15,735	22,136	-		
Clerk's Records Perpetuation	254	824	-	1,078		
Judicial City Shares	521	1,170	1,691	-		
Law Enforcement	11,113	2,863	4,075	9,901		
Law Enforcement User Fee	381	267	648	-		
Sidewalk Maintenance - Improvement	346	16,585	14,930	2,001		
Northwest Economic Development Bond Anticipation Note 2006	30,641	445	19,400	11,686		
Park Pool Bond and Interest	154,776	176,340	168,725	162,391		
Cumulative Capital Improvement	121,629	57,821	90,323	89,127		
Cumulative Capital Development	221,704	56,873	161,432	117,145		
Cumulative Fire Township	137,473	104,212	91,627	150,058		
Southeast Downtown Tax Increment Financing	1,565,801	340,893	1,515,087	391,607		
Park Pool Bond	1,534,518	48	1,475,183	59,383		
Northwest Economic Development Allocation	4,643	102	750	3,995		
Northwest Economic Development Capital	42,602	19,278	-	61,880		
<b>Proprietary Funds:</b>						
Water Utility - Operating	24,051	2,581,581	2,557,263	48,369		
Water Utility - Bond and Interest	1	361,574	361,574	1		
Water Utility - Debt Service	85,500	-	-	85,500		
Water Utility - Customer Deposit	52,672	29,000	23,685	57,987		
Water Utility - Construction	69,174	-	23,657	45,517		
Wastewater Utility - Operating	385,122	4,331,946	4,299,109	417,959		
Wastewater Utility - Bond and Interest	286,270	626,459	608,142	304,587		
Wastewater Utility - Debt Service	691,584	-	-	691,584		
Wastewater Utility - Construction	761,679	-	136,394	625,285		
Wastewater Utility - Improvement	439,308	130,255	308,043	261,520		
Storm Water Utility - Non Reverting	760,933	791,098	1,216,194	335,837		
Cumulative Insurance Recovery	1,541	4,905,706	4,892,890	14,357		
Special Utilities	-	315,382	315,321	61		
<b>Fiduciary Funds:</b>						
Police Officers' Pension	427,337	526,554	715,316	238,575		
Firefighters' Pension	342,967	526,746	589,115	280,598		
Payroll	80,871	8,878,721	8,880,270	79,322		
Retirees' Share Health and Life Insurance	219	53,897	53,678	438		
Health Savings Account (Flex)	11,253	12,928	12,658	11,523		
Cemetery Endowment	4,300	-	-	4,300		
<b>Totals</b>	<b>\$ 9,628,054</b>	<b>\$ 41,492,949</b>	<b>\$ 45,137,488</b>	<b>\$ 5,983,515</b>		

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.



CITY OF NEW CASTLE  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT  
December 31, 2008

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
(2) 2007 Horton 553 Ambulances Ford E-450	\$ 197,636	\$ 105,582
Bonds payable:		
General obligation bonds:		
Park District Bonds 2006	<u>1,950,000</u>	<u>170,313</u>
Total governmental activities debt	<u>\$ 2,147,636</u>	<u>\$ 275,895</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
Waterworks Revenue Bonds 2006	<u>\$ 855,000</u>	<u>\$ 233,247</u>
Total Water Utility	<u>855,000</u>	<u>233,247</u>
Wastewater Utility:		
Capital leases:		
2007 Isuzu Chassis w/Tymco Sweeper	81,662	21,897
Swarze A-4000 Sweeper	53,904	19,679
Revenue bonds:		
Sewage Works Revenue Bonds 2006	1,885,000	156,056
Sewage Works Revenue Bonds SRF 2000	<u>5,050,478</u>	<u>449,589</u>
Total Wastewater Utility	<u>7,071,044</u>	<u>647,221</u>
Total business-type activities debt	<u>\$ 7,926,044</u>	<u>\$ 880,468</u>

CITY OF NEW CASTLE  
OTHER REPORT

The report presented herein was prepared in addition to another official report prepared for the individual City office listed below:

City Court

CITY OF NEW CASTLE  
EXAMINATION RESULT AND COMMENT

DEPOSITS (Applies to New Castle Cemetery)

As stated in the prior Report B32480, in numerous instances, receipts were deposited later than the next business day. This occurred for 75% of the receipts tested in 2008.

IC 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 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."

CITY OF NEW CASTLE  
EXIT CONFERENCE

The contents of this report were discussed on September 9, 2010, with Janice L. Lavarney, Clerk-Treasurer; Hon. Jim Small, Mayor; and Sandy York, President of the Common Council. The officials concurred with our finding.