

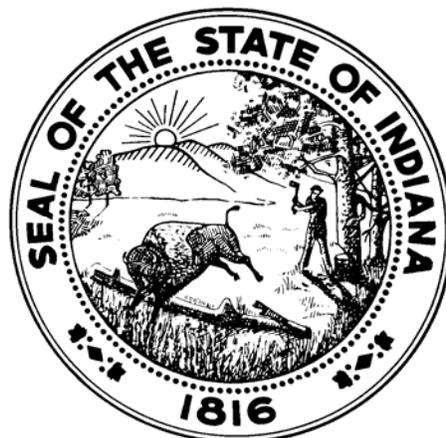
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

ANNUAL FINANCIAL REPORT

2005

CITY OF NEW ALBANY

FLOYD COUNTY, INDIANA



FILED
08/24/2006

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Kathlyn M. Garry	01-01-05 to 12-31-06
Mayor	James E. Garner	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Anthony B. Toran	01-01-05 to 12-31-06
President of the Common Council	Jeff Gahan	01-01-05 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE CITY OF NEW ALBANY, FLOYD COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Albany (City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2005, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated July 31, 2006, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedules of Funding Progress and Schedule of Contributions From the Employer and Other Contributing Entities as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the table of contents, and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Combining Schedules, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

July 31, 2006



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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF NEW ALBANY, FLOYD COUNTY, INDIANA

We have audited the financial statements of the City of New Albany (City), as of and for the year ended December 31, 2005, and have issued our report thereon dated July 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 31, 2006

CITY OF NEW ALBANY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2005

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 5,150,377	\$ 4,138,759	\$ 4,309,224	\$ 116,241	\$ 3,413,847	\$ -	\$ 3,413,847
Public safety	14,410,154	452,649	876,526	29,883	(13,051,096)	-	(13,051,096)
Highways and streets	1,964,802	92,071	1,619,304	144,060	(109,367)	-	(109,367)
Health and welfare	654,275	539,735	-	-	(114,540)	-	(114,540)
Urban redevelopment	1,639,393	202,339	1,063,179	145,717	(228,158)	-	(228,158)
Economic development	527,316	13,400	20,000	1,790,238	1,296,322	-	1,296,322
Culture and recreation	1,310,806	313,092	129,261	68,538	(799,915)	-	(799,915)
Debt service	943,317	-	-	-	(943,317)	-	(943,317)
Capital outlay	1,388,684	-	-	-	(1,388,684)	-	(1,388,684)
Total governmental activities	<u>27,989,124</u>	<u>5,752,045</u>	<u>8,017,494</u>	<u>2,294,677</u>	<u>(11,924,908)</u>	<u>-</u>	<u>(11,924,908)</u>
Business-type activities:							
Wastewater	14,233,765	12,180,099	10,520	-	-	(2,043,146)	(2,043,146)
Total primary government	<u>\$ 42,222,889</u>	<u>\$ 17,932,144</u>	<u>\$ 8,028,014</u>	<u>\$ 2,294,677</u>	<u>(11,924,908)</u>	<u>(2,043,146)</u>	<u>(13,968,054)</u>
General receipts:							
Property taxes					12,386,929	-	12,386,929
Gaming taxes					237,115	-	237,115
Riverboat revenue sharing					737,763	-	737,763
Bonds and loans					1,204,889	-	1,204,889
Unrestricted intergovernmental receipts					1,129,032	-	1,129,032
Grants and contributions not restricted to specific programs					20,857	-	20,857
Unrestricted investment earnings					114,414	26,194	140,608
Proceeds from sale of assets					30,182	-	30,182
Insurance proceeds					106,737	-	106,737
Interfund loans					100,000	(100,000)	-
Transfers					(270,000)	270,000	-
Total general receipts, interfund loans, and transfers					<u>15,797,918</u>	<u>196,194</u>	<u>15,994,112</u>
Change in net assets					3,873,010	(1,846,952)	2,026,058
Net assets - beginning					<u>6,630,463</u>	<u>4,453,903</u>	<u>11,084,366</u>
Net assets - ending					<u>\$ 10,503,473</u>	<u>\$ 2,606,951</u>	<u>\$ 13,110,424</u>
<u>Assets</u>							
Cash and investments					\$ (284,993)	\$ (1,542,318)	\$ (1,827,311)
Restricted assets:							
Cash and investments					<u>10,788,466</u>	<u>4,149,269</u>	<u>14,937,735</u>
Total assets					<u>\$ 10,503,473</u>	<u>\$ 2,606,951</u>	<u>\$ 13,110,424</u>
<u>Net Assets</u>							
Restricted for:							
General government					\$ 318,192	\$ -	\$ 318,192
Public safety					430,694	-	430,694
Highways and streets					351,960	-	351,960
Health and welfare					207,092	-	207,092
Culture and recreation					241,261	-	241,261
Urban redevelopment and housing					171,913	-	171,913
Economic development					7,967,805	-	7,967,805
Debt service					220,000	4,083,071	4,303,071
Capital outlay					879,549	66,198	945,747
Unrestricted					<u>(284,993)</u>	<u>(1,542,318)</u>	<u>(1,827,311)</u>
Total net assets					<u>\$ 10,503,473</u>	<u>\$ 2,606,951</u>	<u>\$ 13,110,424</u>

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

CITY OF NEW ALBANY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2005

	General	TIF Bond Grantline Road	TIF Allocation	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 9,234,032	\$ -	\$ 278,523	\$ 2,874,374	\$ 12,386,929
Intergovernmental	5,624,160	-	-	6,791,921	12,416,081
Charges for services	600,100	-	-	1,410,062	2,010,162
Other	91,577	36,148	30,300	114,165	272,190
Total receipts	15,549,869	36,148	308,823	11,190,522	27,085,362
Disbursements:					
General government	170,978	-	-	1,618,540	1,789,518
Public safety	13,126,573	-	-	1,283,581	14,410,154
Highways and streets	-	-	136,819	1,827,983	1,964,802
Health and welfare	111	-	-	654,164	654,275
Culture and recreation	-	-	-	1,310,806	1,310,806
Urban redevelopment and housing	-	-	144,280	1,495,113	1,639,393
Economic development	-	-	-	527,316	527,316
Debt service:					
Principal	-	-	205,000	470,220	675,220
Interest	-	-	135,521	132,576	268,097
Capital outlay:					
General government	-	-	-	33,614	33,614
Culture and recreation	-	-	-	1,355,070	1,355,070
Total disbursements	13,297,662	-	621,620	10,708,983	24,628,265
Excess (deficiency) of revenue over (under) disbursements	2,252,207	36,148	(312,797)	481,539	2,457,097
Other financing sources (uses)					
Bond proceeds	-	-	-	1,204,889	1,204,889
Short term debt financing	4,000,000	-	-	-	4,000,000
Principal on short term debt	(4,000,000)	-	-	-	(4,000,000)
Interfund loans	(75,000)	-	-	175,000	100,000
Transfers in	-	-	-	982,180	982,180
Transfers out	(23,557)	-	-	(1,228,623)	(1,252,180)
Total other financing sources (uses)	(98,557)	-	-	1,133,446	1,034,889
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,153,650	36,148	(312,797)	1,614,985	3,491,986
Cash and investment fund balance - beginning	(2,897,556)	1,492,202	3,915,805	4,192,665	6,703,116
Cash and investment fund balance - ending	<u>\$ (743,906)</u>	<u>\$ 1,528,350</u>	<u>\$ 3,603,008</u>	<u>\$ 5,807,650</u>	<u>\$ 10,195,102</u>
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:					
Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.					
					308,371
Net assets of governmental activities					<u>\$ 10,503,473</u>
Cash and Investment Assets - December 31					
Cash and investments	\$ (743,906)	\$ -	\$ -	\$ 458,913	\$ (284,993)
Restricted assets:					
Cash and investments	-	1,528,350	3,603,008	5,348,737	10,480,095
Total cash and investment assets - December 31	<u>\$ (743,906)</u>	<u>\$ 1,528,350</u>	<u>\$ 3,603,008</u>	<u>\$ 5,807,650</u>	<u>\$ 10,195,102</u>
Cash and Investment Fund Balance - December 31					
Restricted for:					
General government	\$ -	\$ -	\$ -	\$ 9,821	\$ 9,821
Public safety	-	-	-	430,694	430,694
Highways and streets	-	-	-	351,960	351,960
Health and welfare	-	-	-	207,092	207,092
Culture and recreation	-	-	-	241,261	241,261
Urban redevelopment and housing	-	-	-	171,913	171,913
Economic development	-	1,528,350	3,603,008	2,836,447	7,967,805
Debt service	-	-	-	220,000	220,000
Capital outlay	-	-	-	879,549	879,549
Unrestricted	(743,906)	-	-	458,913	(284,993)
Total cash and investment fund balance - December 31	<u>\$ (743,906)</u>	<u>\$ 1,528,350</u>	<u>\$ 3,603,008</u>	<u>\$ 5,807,650</u>	<u>\$ 10,195,102</u>

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

CITY OF NEW ALBANY
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2005

	Wastewater Utility	Internal Service Fund
Operating receipts:		
Measured wastewater revenue:	\$ 9,282,082	\$ -
Sanitation revenue	2,076,584	-
Other wastewater receipts	799,546	-
Other sanitation receipts	21,887	-
Insurance benefits	-	3,741,883
	<u>12,180,099</u>	<u>3,741,883</u>
Total operating receipts		
Operating disbursements:		
Cost of sales and services	-	366,200
Equipment and capital improvements	614,598	-
Collection system - operations and maintenance	1,935,708	-
Treatment and disposal disbursements - operations and maintenance	3,410,578	-
Sanitation - operations and maintenance	2,242,616	-
Administration and general	612,462	-
Insurance benefits	-	2,994,659
	<u>8,815,962</u>	<u>3,360,859</u>
Total operating disbursements		
Excess of operating receipts over operating disbursements	<u>3,364,137</u>	<u>381,024</u>
Nonoperating receipts (disbursements):		
Interest and investment receipts	26,194	-
Debt service of principal	(3,215,708)	-
Interest and investment disbursement	(2,202,095)	-
Interfund loans	(100,000)	-
	<u>(5,491,609)</u>	<u>-</u>
Total nonoperating disbursements		
Excess (deficiency) of receipts over (under) disbursements and nonoperating receipts (disbursements)	<u>(2,127,472)</u>	<u>381,024</u>
Capital contributions	10,520	-
Transfers in	<u>270,000</u>	<u>-</u>
Excess (deficiency) of receipts, contributions and transfers in over (under) disbursements	<u>(1,846,952)</u>	<u>381,024</u>
Cash and investment fund balance - beginning	<u>4,453,903</u>	<u>(72,653)</u>
Cash and investment fund balance - ending	<u>\$ 2,606,951</u>	<u>\$ 308,371</u>
<u>Cash and Investment Assets - December 31</u>		
Cash and investments	\$ (1,542,318)	\$ -
Restricted assets:		
Cash and investments	<u>4,149,269</u>	<u>308,371</u>
Total cash and investment assets - December 31	<u>\$ 2,606,951</u>	<u>\$ 308,371</u>
<u>Cash and Investment Fund Balance - December 31</u>		
Restricted for:		
General government	\$ -	\$ 308,371
Debt service	4,083,071	-
Capital outlay	66,198	-
Unrestricted	<u>(1,542,318)</u>	<u>-</u>
Total cash and investment fund balance - December 31	<u>\$ 2,606,951</u>	<u>\$ 308,371</u>

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

CITY OF NEW ALBANY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2005

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Fund</u>
Additions:			
Contributions:			
Employer	\$ 784,950	\$ -	\$ -
Plan members	57,628	-	-
State	2,328,743	-	-
Other	<u>-</u>	<u>1,400</u>	<u>-</u>
Total contributions	<u>3,171,321</u>	<u>1,400</u>	<u>-</u>
Investment earnings:			
Interest	<u>-</u>	<u>6,986</u>	<u>-</u>
Agency fund additions	<u>-</u>	<u>-</u>	<u>18,546,760</u>
Total additions	<u>3,171,321</u>	<u>8,386</u>	<u>18,546,760</u>
Deductions:			
Benefits	3,452,013	-	-
Administrative and general	907	-	-
Agency fund deductions	-	-	18,722,772
Other	<u>-</u>	<u>5,130</u>	<u>-</u>
Total deductions	<u>3,452,920</u>	<u>5,130</u>	<u>18,722,772</u>
Excess (deficiency) of total additions over (under) total deductions	(281,599)	3,256	(176,012)
Cash and investment fund balance - beginning	<u>1,499,632</u>	<u>222,116</u>	<u>665,581</u>
Cash and investment fund balance - ending	<u>\$ 1,218,033</u>	<u>\$ 225,372</u>	<u>\$ 489,569</u>

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

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS

I. 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 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, wastewater, and urban redevelopment and housing.

The City's financial reporting entity is composed of the following:

Primary Government: City of New Albany

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Jointly Governed Organization

The City, in conjunction with Floyd County, has created the New Albany-Floyd County Parks and Recreation Board, which was created to oversee the operations of all the parks within the County. Currently, each Board presents its budget to the appropriate fiscal body for its proportionate share of funding. Taxes received by Floyd County for its share are remitted to the City of New Albany after each distribution. The City Controller maintains all financial records and accountability of funds for the Joint Park Board.

Related Organizations

The City's officials are also responsible for appointing members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The TIF bond Grantline road fund is used to account for funds in accordance with Indiana Code 36-7-4.

The TIF allocation fund is used to account for funds in accordance with Indiana Code 36-7-4.

The City reports the following major proprietary fund:

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations and collection systems.

Additionally, the City reports the following fund types:

The internal service fund is used to account for self-insurance claims which are handled by a third party administrator.

The pension trust funds account for the activities of the 1925 police and 1937 fire pension funds, which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income is used for the maintenance and upkeep of the City's Fairview Cemetery.

The agency fund accounts for payroll withholdings held by the City and serves as a control of accounts for withholding transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, 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 cash and investment 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. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City and Wastewater Utility. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments (2) law through constitutional provisions or enabling legislations.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds).

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

On or before August 31, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2005, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2005
General	\$ 81,136
Motor Vehicle Highway	520,248
Reserve Liability Insurance	27,359
EMS	30,851
Walking Patrol	53,319
Park Cumulative Building	11,930
 Total	 \$ 724,843

These disbursements were funded by unappropriated available cash balances.

C. Cash and Investment Balance Deficits

At December 31, 2005, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and State statute:

Fund	2005
General	\$ 743,906
Motor Vehicle Highway	472,504
Law Enforcement Continuing Education	633
Unsafe Building	56,155
Indiana Housing Board Rental Rehabilitation	14,776

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements. These deficits are to be repaid from future receipts.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, were as follows:

Transfer From	Transfer To	2005
General Fund	Other Governmental	\$ 23,557
Other Governmental	Wastewater	270,000
	Other Governmental	958,623
Total		\$ 1,252,180

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The City is 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 (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Group Health Insurance

The City has chosen to establish a risk financing fund for risks associated with medical, dental and life insurance claims. The risk financing fund is accounted for in the Medical/Drug Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$150,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to each fund that accounts for payroll. The total charge allocated to each of the funds is calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Contract for Management and Operation of Wastewater Treatment Facility and Collection System

On March 30, 2001, and as later amended on August 13, 2001, the City contracted with EMC of Indiana, L.L.C., (EMC) to manage the operation and maintenance of its Wastewater Treatment Facility and Collection System. This contract was for the period of April 2, 2001 to April 1, 2004, and provided monthly payments to EMC for \$228,705 for the first year of the agreement and an adjusted amount annually for subsequent years. The total amount of monthly payments due in 2005 was \$3,316,539. Under terms of the contract, EMC is responsible for paying expenses required for the normal operation and maintenance of the plant and collection system except for individual repair and maintenance items which cost in excess of \$5,000 and capital expenditures in excess of \$5,000 which remain an obligation to the City. Also, in accordance with the terms of the original contract, the City has exercised their option to renew this contract through December 31, 2007.

C. Action to Enforce the Federal Consent Decree

On June 3, 1997, the United States filed a motion with the U.S. District Court to enforce the Consent Decree and to collect stipulated civil penalties and civil contempt sanctions for alleged violations of the Consent Decree. The United States alleged that it is entitled to collect \$16,543,500 in stipulated civil penalties in addition to the issuance of an order requiring remedial actions by the City which would require millions more in expenditures.

A complete formal response to the United States' motion was filed on behalf of the City on July 20, 1998. An "Amended Consent Decree" was approved and formally filed in the U.S. District Court on May 3, 2002, indicating that the City and the United States have reached a settlement in principle, which reduces the penalty to \$180,000. This penalty was paid in three \$60,000 installments over two years. The final payment of this obligation was made by the City on July 7, 2004. Remedial measures will take the form of upgrades at the Wastewater Treatment Facility and a significant addition to the collection system in the form of a force main to address additions to the City's service area and population. The remedial measures noted above were substantially completed by the City during 2005 at a cost in excess of \$40,000,000. Additional supplemental projects are currently in various stages and estimated to cost several million dollars.

D. Conduit Debt Obligations

Capital Development Tourism Fund Revenue Bonds Series, 1995 and 2003

During 2003, the City issued Capital Development Tourism Fund Revenue Bonds in the amount of \$450,000 for replacement of the canopy for the New Albany Amphitheater, construction of softball facilities at Indiana University South East, and placement of a bronze statue at Clark-Floyd Counties Convention and Tourism Bureau's administrative offices. Through a "Pledge Agreement" the Clark-Floyd Counties Convention and Tourism Bureau has agreed to set aside sufficient revenues each year to pay the principal and interest amounts due on these bonds. Although the structures and improvements funded with the bond proceeds are considered capital assets of the City, the City is not obligated in any manner for the repayment of the bonds. Accordingly the bonds are not reported as debt on the Schedule of Long-Term Debt.

As of December 31, 2005, the Capital Development Tourism Fund Revenue Bonds had an outstanding aggregate principal payable of \$377,682.

CITY OF NEW ALBANY
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Economic Development Commission, Industrial Revenue Bonds

From time to time, the City has issued Economic Development, Indiana Hospital Facilities and Multi-family Housing Mortgage Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying notes to the financial statements.

As of December 31, 2005, there were seven series of Economic Development Revenue Bonds outstanding, one series of Indiana Hospital Facilities Revenue Bonds outstanding, and one series of Multifamily Housing Mortgage Revenue Bonds outstanding. The aggregate principal amount payable for five series issued after July 1, 1995, was \$20,052,000. The aggregate principal amount payable for the four series issued prior to July 1, 1995, could not be determined; however, their original issue amount totaled \$13,200,000.

E. Postemployment Benefits

In addition to the pension benefits described below, the City provides postemployment benefits, as authorized by Indiana Code 5-10-8, to all policemen and firemen who retire from the City with at least 20 years of service and all Local 1861 Union and CWA Communications Union employees who retire from the City with at least 10 years of service. Currently 99 retirees meet these eligibility requirements. The City provides a maximum of \$1,072 per month of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go-basis. During the year ended December 31, 2005, expenditures of \$667,411 were recognized for postemployment benefits.

F. Rate Structure – Enterprise Funds

Wastewater Utility

The current rate structure was approved by the Common Council as follows:

<u>Charge</u>	<u>Ordinance</u>	<u>Date</u>
Sewage disposal	G-02-12	05-08-02
Sanitation	A-01-47	12-21-01
Tap-in	G-06-01	01-09-06

G. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. 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

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

employees are eligible to participate in the 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 member's 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. The 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 plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which 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 and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

c. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which 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

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Annual required contribution	\$ 45,298	\$ 3,240,700	\$ 4,329,800
Interest on net pension obligation	(24,274)	817,100	886,300
Adjustment to annual required contribution	<u>27,663</u>	<u>(1,363,300)</u>	<u>(1,478,600)</u>
Annual pension cost	48,687	2,694,500	3,737,500
Contributions made	<u>141,187</u>	<u>945,857</u>	<u>1,268,442</u>
Increase (decrease) in net pension obligation	(92,500)	1,748,643	2,469,058
Net pension obligation, beginning of year	<u>(334,820)</u>	<u>12,105,702</u>	<u>13,129,665</u>
Net pension obligation, end of year	<u>\$ (427,320)</u>	<u>\$ 13,854,345</u>	<u>\$ 15,598,723</u>
Contribution rates:			
City	3.38%	318%	415%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-05	01-01-04	01-01-04
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	40 years	40 years
Amortization period (from date)	07-01-97	12-31-77	12-31-77
Asset valuation method	75% of expected Actuarial value plus 25% of market value	4 year smooth market	4 year smooth market

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75/4%*	2.75/4%*

* 2.75% converted members; 4% nonconverted members

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 155,528	117%	\$ (196,200)
	06-30-04	40,886	439%	(334,820)
	06-30-05	48,687	345%	(427,320)
1925 Police Officers' Pension Plan	12-31-01	2,750,700	46%	10,795,165
	12-31-02	2,715,800	52%	12,105,702
	12-31-03	2,694,500	35%	13,854,345
1937 Firefighters' Pension Plan	12-31-01	3,595,400	74%	11,901,991
	12-31-02	3,631,200	66%	13,129,665
	12-31-03	3,737,500	34%	15,598,723

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2005, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retires and beneficiaries currently receiving benefits	48	65
Current active employees	13	11

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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 Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2005, 2004, and 2003, were \$1,126,997, \$1,357,140, and \$983,962, respectively, equal to the required contributions for each year.

CITY OF NEW ALBANY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 5,586,752	\$ 4,038,113	\$ 1,548,639	138%	\$ 3,597,562	43%
07-01-04	5,583,669	4,042,480	1,541,189	138%	3,673,801	42%
07-01-05	5,692,968	4,330,537	1,362,431	131%	4,166,081	33%

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-99	\$ 533,596	\$ 26,000,500	\$ (25,466,904)	2%	\$ 1,240,400	(2,053%)
01-01-00	420,073	28,404,900	(27,984,827)	1%	1,282,100	(2,183%)
01-01-01	260,144	28,086,300	(27,826,156)	1%	1,190,600	(2,337%)
01-01-02	573,594	27,974,400	(27,400,806)	2%	1,074,300	(2,551%)
01-01-03	336,249	26,972,200	(26,635,951)	1%	1,299,300	(2,050%)
01-01-04	158,480	27,123,000	(26,964,520)	1%	1,020,600	(2,642%)

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-99	\$ 425,121	\$ 36,216,300	\$ (35,791,179)	1%	\$ 1,311,400	(2,729%)
01-01-00	190,310	37,093,700	(36,903,390)	1%	1,118,800	(3,298%)
01-01-01	47,602	37,147,300	(37,099,698)	0%	1,141,100	(3,251%)
01-01-02	1,094,411	37,273,700	(36,179,289)	3%	989,700	(3,656%)
01-01-03	781,354	34,085,200	(33,303,846)	2%	1,232,800	(2,701%)
01-01-04	392,547	36,798,900	(36,406,353)	1%	1,042,500	(3,492%)

CITY OF NEW ALBANY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
			City	State
1925 Police Officers' Pension Plan	12-31-98	\$ 2,808,400	7%	20%
	12-31-99	2,750,000	7%	16%
	12-31-00	3,059,700	7%	15%
	12-31-01	3,091,100	4%	37%
	12-31-02	3,154,100	2%	43%
	12-31-03	3,240,700	5%	25%
1937 Firefighters' Pension Plan	12-31-98	\$ 4,035,400	24%	23%
	12-31-99	3,726,300	10%	22%
	12-31-00	3,868,900	13%	23%
	12-31-01	3,996,800	17%	50%
	12-31-02	4,114,500	2%	57%
	12-31-03	4,329,800	0%	29%

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005

	Motor Vehicle Highway	Local Road and Street	Park and Recreation	Park Nonreverting Operating	Park Nonreverting Shelter House	Communications Nonreverting	EMS	Donations
Receipts:								
Taxes	\$ -	\$ -	\$ 982,553	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,212,679	550,685	129,261	-	-	536,000	-	-
Charges for services	8,850	-	95,019	170,186	9,905	-	539,735	-
Other	73,009	-	-	-	-	-	-	20,857
Total receipts	1,294,538	550,685	1,206,833	170,186	9,905	536,000	539,735	20,857
Disbursements:								
General government	-	-	-	-	-	-	-	689
Public safety	-	-	-	-	-	517,346	-	39,507
Highways and streets	1,535,199	171,450	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	459,942	-
Culture and recreation	-	-	1,129,831	173,473	7,502	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Total disbursements	1,535,199	171,450	1,129,831	173,473	7,502	517,346	459,942	40,196
Excess (deficiency) of revenue over (under) disbursements	(240,661)	379,235	77,002	(3,287)	2,403	18,654	79,793	(19,339)
Other financing sources (uses)								
Bond proceeds	-	-	-	-	-	-	-	-
Interfund loans	(10,000)	-	-	-	-	-	(2,500)	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(10,000)	-	-	-	-	-	(2,500)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(250,661)	379,235	77,002	(3,287)	2,403	18,654	77,293	(19,339)
Cash and investment fund balance - beginning	(221,843)	(181,407)	79,188	45,861	40,094	-	129,799	76,908
Cash and investment fund balance - ending	<u>\$ (472,504)</u>	<u>\$ 197,828</u>	<u>\$ 156,190</u>	<u>\$ 42,574</u>	<u>\$ 42,497</u>	<u>\$ 18,654</u>	<u>\$ 207,092</u>	<u>\$ 57,569</u>
Cash and Investment Assets - December 31								
Cash and investments	\$ (472,504)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,569
Restricted assets:								
Cash and investments	-	197,828	156,190	42,574	42,497	18,654	207,092	-
Total cash and investment assets - December 31	<u>\$ (472,504)</u>	<u>\$ 197,828</u>	<u>\$ 156,190</u>	<u>\$ 42,574</u>	<u>\$ 42,497</u>	<u>\$ 18,654</u>	<u>\$ 207,092</u>	<u>\$ 57,569</u>
Cash and Investment Fund Balance - December 31								
Restricted for:								
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	18,654	-	-
Highways and streets	-	197,828	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	207,092	-
Culture and recreation	-	-	156,190	42,574	42,497	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Unrestricted	(472,504)	-	-	-	-	-	-	57,569
Total cash and investment fund balance - December 31	<u>\$ (472,504)</u>	<u>\$ 197,828</u>	<u>\$ 156,190</u>	<u>\$ 42,574</u>	<u>\$ 42,497</u>	<u>\$ 18,654</u>	<u>\$ 207,092</u>	<u>\$ 57,569</u>

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Crimes Against Children	Veterinary Nonreverting	Animal Control Nonreverting	Tree Board Nonreverting	Farmers Market	Street Maintenance and Parking Meter	Abandoned Vehicles
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	20,800	-	15,791	-	-	-	-
Charges for services	-	36,123	-	-	-	49,483	32,416
Other	-	-	-	-	-	-	-
Total receipts	20,800	36,123	15,791	-	-	49,483	32,416
Disbursements:							
General government	-	-	-	-	-	-	48,338
Public safety	6,590	41,418	6,248	-	-	-	-
Highways and streets	-	-	-	-	-	36,278	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	6,590	41,418	6,248	-	-	36,278	48,338
Excess (deficiency) of revenue over (under) disbursements	14,210	(5,295)	9,543	-	-	13,205	(15,922)
Other financing sources (uses)							
Bond proceeds	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	14,210	(5,295)	9,543	-	-	13,205	(15,922)
Cash and investment fund balance - beginning	-	48,363	-	18,488	1,000	15,388	35,151
Cash and investment fund balance - ending	\$ 14,210	\$ 43,068	\$ 9,543	\$ 18,488	\$ 1,000	\$ 28,593	\$ 19,229
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	14,210	43,068	9,543	18,488	1,000	28,593	19,229
Total cash and investment assets - December 31	\$ 14,210	\$ 43,068	\$ 9,543	\$ 18,488	\$ 1,000	\$ 28,593	\$ 19,229
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	14,210	43,068	9,543	-	-	-	19,229
Highways and streets	-	-	-	18,488	-	28,593	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Economic development	-	-	-	-	1,000	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-
Total cash and investment fund balance - December 31	\$ 14,210	\$ 43,068	\$ 9,543	\$ 18,488	\$ 1,000	\$ 28,593	\$ 19,229

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Law Enforcement Continuing Education	Police Drug Fund	Walking Patrol	Local Law Grant	Unsafe Building	Riverboat Income Nonreverting	Rainy Day
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	136,136	9,083	-	974,878	-
Charges for services	23,087	-	-	-	1,453	-	-
Other	-	-	-	-	-	-	-
Total receipts	23,087	-	136,136	9,083	1,453	974,878	-
Disbursements:							
General government	-	-	-	-	-	864,398	588,768
Public safety	-	-	153,319	-	-	-	476,446
Highways and streets	-	-	-	-	-	61,500	-
Health and welfare	-	-	-	-	-	-	194,222
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	-	-	153,319	-	-	925,898	1,259,436
Excess (deficiency) of revenue over (under) disbursements	23,087	-	(17,183)	9,083	1,453	48,980	(1,259,436)
Other financing sources (uses)							
Bond proceeds	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	(10,000)	197,500
Transfers in	-	-	23,557	-	-	20,033	338,698
Transfers out	-	-	-	-	-	(114,892)	-
Total other financing sources (uses)	-	-	23,557	-	-	(104,859)	536,198
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	23,087	-	6,374	9,083	1,453	(55,879)	(723,238)
Cash and investment fund balance - beginning	(23,720)	859	9,204	-	(57,608)	861,055	863,474
Cash and investment fund balance - ending	\$ (633)	\$ 859	\$ 15,578	\$ 9,083	\$ (56,155)	\$ 805,176	\$ 140,236
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ (633)	\$ -	\$ -	\$ -	\$ (56,155)	\$ 805,176	\$ 140,236
Restricted assets:							
Cash and investments	-	859	15,578	9,083	-	-	-
Total cash and investment assets - December 31	\$ (633)	\$ 859	\$ 15,578	\$ 9,083	\$ (56,155)	\$ 805,176	\$ 140,236
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	859	15,578	9,083	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	(633)	-	-	-	(56,155)	805,176	140,236
Total cash and investment fund balance - December 31	\$ (633)	\$ 859	\$ 15,578	\$ 9,083	\$ (56,155)	\$ 805,176	\$ 140,236

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Fire Contract Runs	Community Promotions	City Redevelopment	CDBG Rehabilitation Loan Escrow	New Directions	Indiana Housing Board Rental Rehabilitation	Redevelopment Home Improvement
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	1,023,325	-	39,854	-	145,717
Charges for services	60,108	4,738	45,464	-	-	-	145,935
Other	-	-	4,646	4	-	-	-
Total receipts	60,108	4,738	1,073,435	4	39,854	-	291,652
Disbursements:							
General government	-	4,945	-	-	-	-	-
Public safety	37,768	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	1,095,219	-	39,854	3,348	288,598
Economic development	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	37,768	4,945	1,095,219	-	39,854	3,348	288,598
Excess (deficiency) of revenue over (under) disbursements	22,340	(207)	(21,784)	4	-	(3,348)	3,054
Other financing sources (uses)							
Bond proceeds	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(20,033)	-	-	-	-
Total other financing sources (uses)	-	-	(20,033)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	22,340	(207)	(41,817)	4	-	(3,348)	3,054
Cash and investment fund balance - beginning	267,813	2,312	54,383	1,236	197	(11,428)	59,393
Cash and investment fund balance - ending	<u>\$ 290,153</u>	<u>\$ 2,105</u>	<u>\$ 12,566</u>	<u>\$ 1,240</u>	<u>\$ 197</u>	<u>\$ (14,776)</u>	<u>\$ 62,447</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (14,776)	\$ -
Restricted assets:							
Cash and investments	290,153	2,105	12,566	1,240	197	-	62,447
Total cash and investment assets - December 31	<u>\$ 290,153</u>	<u>\$ 2,105</u>	<u>\$ 12,566</u>	<u>\$ 1,240</u>	<u>\$ 197</u>	<u>\$ (14,776)</u>	<u>\$ 62,447</u>
Cash and Investment Fund Balance - December 31							
Restricted for:							
General government	\$ -	\$ 2,105	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	290,153	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	12,566	1,240	197	-	62,447
Economic development	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	(14,776)	-
Total cash and investment fund balance - December 31	<u>\$ 290,153</u>	<u>\$ 2,105</u>	<u>\$ 12,566</u>	<u>\$ 1,240</u>	<u>\$ 197</u>	<u>\$ (14,776)</u>	<u>\$ 62,447</u>

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Interest- Federal Equity Share	Redevelopment Tax Abatement	Rauch Fairmont Neighborhood	Drainage	County Redevelopment	State Street Garage Nonreverting	Reserve Liability Insurance
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,070
Intergovernmental	2,150	-	250,000	-	-	-	545
Charges for services	-	13,400	-	-	10,940	33,738	91,500
Other	65	-	3,160	-	419	-	5,130
Total receipts	2,215	13,400	253,160	-	11,359	33,738	102,245
Disbursements:							
General government	-	-	-	51,364	-	-	60,038
Public safety	4,939	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	23,556	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	265	-	-
Economic development	-	2,575	223,187	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	4,939	2,575	223,187	51,364	265	23,556	60,038
Excess (deficiency) of revenue over (under) disbursements	(2,724)	10,825	29,973	(51,364)	11,094	10,182	42,207
Other financing sources (uses)							
Bond proceeds	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Transfers in	-	-	-	114,892	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	114,892	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(2,724)	10,825	29,973	63,528	11,094	10,182	42,207
Cash and investment fund balance - beginning	13,041	11,393	-	-	32,178	33,341	(34,491)
Cash and investment fund balance - ending	\$ 10,317	\$ 22,218	\$ 29,973	\$ 63,528	\$ 43,272	\$ 43,523	\$ 7,716
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	10,317	22,218	29,973	63,528	43,272	43,523	7,716
Total cash and investment assets - December 31	\$ 10,317	\$ 22,218	\$ 29,973	\$ 63,528	\$ 43,272	\$ 43,523	\$ 7,716
Cash and Investment Fund Balance - December 31							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,716
Public safety	10,317	-	-	-	-	-	-
Highways and streets	-	-	-	63,528	-	43,523	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	22,218	29,973	-	43,272	-	-
Economic development	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-
Total cash and investment fund balance - December 31	\$ 10,317	\$ 22,218	\$ 29,973	\$ 63,528	\$ 43,272	\$ 43,523	\$ 7,716

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Cumulative Capital Improvement	Park Cumulative Building	Economic Development Income Tax	Caesar's Donation	Studio 2000	Tourism Bond	TIF Bond Park East
Receipts:							
Taxes	\$ -	\$ 134,352	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	116,241	68,538	1,540,238	-	20,000	-	-
Charges for services	-	27,342	-	10,279	-	-	-
Other	-	-	-	-	-	-	3,758
Total receipts	116,241	230,232	1,540,238	10,279	20,000	-	3,758
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Economic development	-	-	281,554	-	20,000	-	-
Debt service:							
Principal	-	-	470,220	-	-	-	-
Interest	-	-	-	35,094	-	-	-
Capital outlay:							
General government	33,614	-	-	-	-	-	-
Culture and recreation	-	284,430	-	1,070,640	-	-	-
Total disbursements	33,614	284,430	751,774	1,105,734	20,000	-	-
Excess (deficiency) of revenue over (under) disbursements	82,627	(54,198)	788,464	(1,095,455)	-	-	3,758
Other financing sources (uses)							
Bond proceeds	-	-	-	1,050,000	-	-	-
Interfund loans	-	-	-	-	-	-	-
Transfers in	-	-	-	265,000	-	-	-
Transfers out	-	-	(873,698)	-	-	-	-
Total other financing sources (uses)	-	-	(873,698)	1,315,000	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	82,627	(54,198)	(85,234)	219,545	-	-	3,758
Cash and investment fund balance - beginning	298,102	212,995	458,028	120,478	-	173,281	192,528
Cash and investment fund balance - ending	\$ 380,729	\$ 158,797	\$ 372,794	\$ 340,023	\$ -	\$ 173,281	\$ 196,286
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	380,729	158,797	372,794	340,023	-	173,281	196,286
Total cash and investment assets - December 31	\$ 380,729	\$ 158,797	\$ 372,794	\$ 340,023	\$ -	\$ 173,281	\$ 196,286
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Economic development	-	-	372,794	-	-	173,281	196,286
Debt service	-	-	-	-	-	-	-
Capital outlay	380,729	158,797	-	340,023	-	-	-
Unrestricted	-	-	-	-	-	-	-
Total cash and investment fund balance - December 31	\$ 380,729	\$ 158,797	\$ 372,794	\$ 340,023	\$ -	\$ 173,281	\$ 196,286

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Redevelopment BAN Charlestown Road	TIF Park East Industrial	TIF State Street	TIF Garage	TIF Charlestown Road	TIF Charlestown Road Debt Reserve	Totals
Receipts:							
Taxes	\$ -	\$ 499,016	\$ 638,301	\$ 161,001	\$ 454,081	\$ -	\$ 2,874,374
Intergovernmental	-	-	-	-	-	-	6,791,921
Charges for services	-	-	-	-	361	-	1,410,062
Other	3,117	-	-	-	-	-	114,165
Total receipts	3,117	499,016	638,301	161,001	454,442	-	11,190,522
Disbursements:							
General government	-	-	-	-	-	-	1,618,540
Public safety	-	-	-	-	-	-	1,283,581
Highways and streets	-	-	-	-	-	-	1,827,983
Health and welfare	-	-	-	-	-	-	654,164
Culture and recreation	-	-	-	-	-	-	1,310,806
Urban redevelopment and housing	-	10,530	11,679	-	45,620	-	1,495,113
Economic development	-	-	-	-	-	-	527,316
Debt service:							
Principal	-	-	-	-	-	-	470,220
Interest	-	31,038	-	-	66,444	-	132,576
Capital outlay:							
General government	-	-	-	-	-	-	33,614
Culture and recreation	-	-	-	-	-	-	1,355,070
Total disbursements	-	41,568	11,679	-	112,064	-	10,708,983
Excess (deficiency) of revenue over (under) disbursements	3,117	457,448	626,622	161,001	342,378	-	481,539
Other financing sources (uses)							
Bond proceeds	-	-	-	-	154,889	-	1,204,889
Interfund loans	-	-	-	-	-	-	175,000
Transfers in	-	-	-	-	-	220,000	982,180
Transfers out	-	-	-	-	(220,000)	-	(1,228,623)
Total other financing sources (uses)	-	-	-	-	(65,111)	220,000	1,133,446
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,117	457,448	626,622	161,001	277,267	220,000	1,614,985
Cash and investment fund balance - beginning	617,741	(50,110)	-	-	-	-	4,192,665
Cash and investment fund balance - ending	\$ 620,858	\$ 407,338	\$ 626,622	\$ 161,001	\$ 277,267	\$ 220,000	\$ 5,807,650
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 458,913
Restricted assets:							
Cash and investments	620,858	407,338	626,622	161,001	277,267	220,000	5,348,737
Total cash and investment assets - December 31	\$ 620,858	\$ 407,338	\$ 626,622	\$ 161,001	\$ 277,267	\$ 220,000	\$ 5,807,650
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,821
Public safety	-	-	-	-	-	-	430,694
Highways and streets	-	-	-	-	-	-	351,960
Health and welfare	-	-	-	-	-	-	207,092
Culture and recreation	-	-	-	-	-	-	241,261
Urban redevelopment and housing	-	-	-	-	-	-	171,913
Economic development	620,858	407,338	626,622	161,001	277,267	-	2,836,447
Debt service	-	-	-	-	-	220,000	220,000
Capital outlay	-	-	-	-	-	-	879,549
Unrestricted	-	-	-	-	-	-	458,913
Total cash and investment fund balance - December 31	\$ 620,858	\$ 407,338	\$ 626,622	\$ 161,001	\$ 277,267	\$ 220,000	\$ 5,807,650

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2005

	Police Pension	Firefighters' Pension	Total
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Contributions:			
Employer	\$ 680,474	\$ 104,476	\$ 784,950
Plan members	25,012	32,616	57,628
State	<u>964,713</u>	<u>1,364,030</u>	<u>2,328,743</u>
Total additions	<u>1,670,199</u>	<u>1,501,122</u>	<u>3,171,321</u>
Deductions:			
Benefits	1,577,999	1,874,014	3,452,013
Administrative and general	<u>696</u>	<u>211</u>	<u>907</u>
Total deductions	<u>1,578,695</u>	<u>1,874,225</u>	<u>3,452,920</u>
Excess (deficiency) of total additions over (under) total deductions	91,504	(373,103)	(281,599)
Cash and investment fund balance - beginning	<u>638,966</u>	<u>860,666</u>	<u>1,499,632</u>
Cash and investment fund balance - ending	<u>\$ 730,470</u>	<u>\$ 487,563</u>	<u>\$ 1,218,033</u>

CITY OF NEW ALBANY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2005

CAPITAL LEASES

The city has entered into the following capital leases:

Description of Asset	Present Value of Net Minimum Lease Payments	Due Within One Year
Governmental activities:		
Fire vehicles	\$ 115,362	\$ 32,746
Business-type activities:		
Load packer trucks	304,257	304,257
Trash containers	214,702	105,138
	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:		
Notes and loans payable	\$ 1,802,015	\$ 820,000
Bonds payable:		
Revenue bonds:		
1999 TIF bonds grantline road improvements	1,125,000	95,000
1999 TIF bonds industrial park east improvements	955,000	130,000
2005 TIF bonds charlestown road improvements	2,200,000	180,000
Total governmental activities long-term debt	<u>\$ 6,082,015</u>	<u>\$ 1,225,000</u>
Business-type activities:		
Wastewater Utility		
Notes and loans payable	\$ 37,385,863	\$ 1,563,545
Revenue bonds:		
Wastewater 1997 refunding	4,635,000	155,000
Wastewater 1998 repair and replacement	2,820,000	165,000
Wastewater 1999 repair and replacement	5,915,000	90,000
Wastewater 2003 refunding	8,765,000	935,000
Total Wastewater Utility	<u>59,520,863</u>	<u>2,908,545</u>
Total business-type activities:	<u>\$ 59,520,863</u>	<u>\$ 2,908,545</u>

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Record balances were not fully reconciled to depository balances during the audit period. Monthly reconciliations performed consisted of verifying source documents (quietuses and checks) to deposits and checks clearing depositories each month for each of the City's 18 bank accounts. However, these reconciled amounts were not totaled and compared to actual cash transactions and balances recorded in the City's records. As a result of undetected errors as of December 31, 2005, the City has \$21,511 more in unidentified cash recorded in its records than that being held in its bank accounts.

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

It has been our policy to recommend only a minimum number of bank accounts in order to avoid unnecessary bookkeeping and possible errors in charging warrants to bank accounts. So long as an ordinance does not require the keeping of a separate bank account, funds should be consolidated into as few accounts as possible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

OVERDRAWN CASH BALANCES

The cash balances of the following funds were overdrawn in 2005:

Fund	Amount
General	\$ 743,906
Motor Vehicle Highway	472,504
Unsafe Building	56,155
Indiana Housing Board Rental Rehabilitation	14,776
Law Enforcement Continuing Education	633

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

Fund	Excess Amount Expended
General	\$ 81,136
Motor Vehicle Highway	520,248
Reserve Liability Insurance	27,359
EMS	30,851
Walking Patrol	53,319
Park Cumulative Capital	11,930
Total	\$ 724,843

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

TRANSFERS BETWEEN CITY FUNDS

As previously reported, a temporary transfer of \$401,348 was made during December 2002 from the Economic Development Income Tax fund to the General fund. In accordance with Indiana Code 36-8-4(b) the Common Council determined an emergency existed and extended the term of the loan for six months beyond the 2002 budget year. This loan was to be repaid no later than June 30, 2003. However, this loan has still not been repaid.

During 2005, the City transferred \$114,892 from the Riverboat fund to the Drainage fund. Additionally, transfers in the amounts of \$265,000 and \$338,698, were made from the Economic Development Income Tax fund to the Caesar's Donation fund and the Rainy Day fund, respectively.

The City approved resolutions authorizing the transfer of these funds with the intent that these were to be permanent transfers and not required to be returned. Transfers to depleted funds are allowed for cash flow purposes, however, these transfers must be returned to the other fund. The period may be extended for not more than six months beyond the budget year of the year in which the transfer occurred. EDIT and Riverboat funds may be used by a city for any lawful purpose for which money in any of its other funds may be used, i.e., permanent transfers to other funds are not allowed.

Indiana Code 36-1-8-4 concerning temporary transfer states in part:

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the temporary transfer of a prescribed amount, for a prescribed period, to a depleted fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met: . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

Indiana Code 6-3.5-7-13.1 states in part: "Economic development income tax funds; deposits; uses, . . . (3) By a county, city or town for any lawful purpose for which money in any of its other funds may be used. . . ."

Indiana Code 4-33-13-6 concerning Riverboat funds states in part: ". . . (3) may be used for any legal or corporate purpose of the unit, . . ."

TRANSFER TO WASTEWATER UTILITY

The City transferred \$270,000 from the Economic Development Income Tax fund (EDIT) to the Wastewater Utility fund during 2005. There was no ordinance or resolution authorizing this transfer. Additionally, the monies were not returned during the budget year 2005.

EDIT funds may be used by a city for any lawful purpose for which money in any of its other funds may be used, i.e., permanent transfers to other funds are not allowed.

Since the temporary loan provisions of IC 36-1-8-4 would not apply to funds of a municipally owned utility and there are no statutes authorizing or prohibiting loans from a city or town fund to a municipally owned utility, a home rule ordinance could be adopted authorizing such loans. Such ordinance should list the amount and term of the loan and interest rate, if interest is to be charged. (Cities and Towns Bulletin and Uniform Compliance Guidelines, December 2001)

Indiana Code 6-3.5-7-13.1 states in part: "Economic development income tax funds; deposits; uses, . . . (3) By a county, city or town for any lawful purpose for which money in any of its other funds may be used. . . ."

CAPITAL ASSET RECORDS

The City does not maintain sufficient detailed records of capital assets for the City owned capital assets, which also includes Wastewater Utility owned utility plant in service accounts. The City's capital asset ledger has not been updated to account for adjustments reported in these accounts during prior audits. A sewer expansion project was substantially completed during the current year, but not recorded. Deletions or disposals of capital assets were not recorded. In addition, inventories of capital assets were not taken by all departments so that capital assets on hand could be reconciled back to the capital asset ledger.

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

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

CREDIT CARDS

During 2005, the following deficiencies were identified concerning the use of credit cards:

- (1) The City was using credit cards to purchase items without an approved credit card policy.
- (2) Some payments were being made on the basis of the statement or a credit card slip without supporting documentation.
- (3) The City incurred, and subsequently paid, finance charges for delinquent payment of credit card invoices.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

SALES TAX

During the review of claims we noted that sales tax was paid on some purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TRAVEL CLAIMS

In one instance, an employee was reimbursed \$90 for travel expenses without original receipts being attached to the claim.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATION AND BENEFITS

Six instances were noted where employees received payments during 2005 which were not transacted through the payroll system.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TIME AND ATTENDANCE RECORDS

During the review of payroll records it was determined that bi-weekly payments were made to an employee even though time and attendance records were not maintained. Additionally, we noted that the corresponding payroll claims were certified by the responsible official attesting that they had examined the time records for this employee when in fact they had not been presented for their review. Upon inquiry, the employee subsequently presented time records with "estimated" hours worked during 2005.

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

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

DEPARTMENT RECEIPTS AND FEES

Receipts and fees collected by the departments listed below were remitted to the Controller less frequently than once a week:

Building Commissioner
City Clerk
Planning Commission

All collections made by any department or person connected with a city or town shall be turned in to the Clerk-Treasurer (or Controller) at least weekly. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 6)

DEPOSITS

Instances were noted where the Park and Recreation Department collections were deposited later than the next business day.

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

RECEIPT ISSUANCE

In some instances, General Receipts (Form 352) were not issued by the following departments:

Building Commissioner
Cemetery

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

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

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

The City has contracted with Medical Billing Group, LLC for the billings and collections of ambulance service runs. During the year 2005, Medical Billing Group, LLC wrote off \$272,285 in delinquent accounts it deemed uncollectible. The minutes presented for audit did not indicate that these accounts were presented to the Board of Works for approval. Additionally, documentation was not presented for audit concerning unsuccessful collection procedures prior to adjustments to the records.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT WASTEWATER ACCOUNTS

As of December 31, 2005, delinquent wastewater fees and penalties totaling \$563,538 had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

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

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

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

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

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

SEWAGE DISPOSAL AND SANITATION CHARGES

The City has an ordinance (G-02-12) setting the rates to be charged for sewage disposal. We noted the following noncompliance:

Some customers that should be receiving a minimum bill for sewage disposal are not being billed.

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

The City has an ordinance (A-01-47) setting the rates to be charged for sanitation collections. We noted the following noncompliance:

1. Some commercial customers are being charged less than the approved commercial rates.
2. Some churches are being billed more than the approved rates established for churches.
3. Some customers that are required to be billed for sanitation charges are not being billed.

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

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF NEW ALBANY, FLOYD COUNTY, INDIANA

Compliance

We have audited the compliance of the City of New Albany (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2005. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in item 2005-1 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Equipment and Real Property Management that are applicable to its Capitalization Grants for Clean Water State Revolving Funds. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 2005-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2005-1 to be a material weakness.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 31, 2006

CITY OF NEW ALBANY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2005

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant			
CDBG - Entitlement and (HUD) - Administered) Small Cities Cluster			
Community Development Block Grants/Entitlement Grants	14.218		
FY03		B-03-MC-18-0018	\$ 818,765
FY04		B-04-MC-18-0019	<u>109,844</u>
Total for Cluster			<u>928,609</u>
Direct Grant			
Supportive Housing Program	14.235		
LifeSpring Mental Health Services			30
Salvation Army Center for Hope Transitional Housing			<u>24,434</u>
Total for Program			<u>24,464</u>
Pass-Through Indiana Housing Community Development Authority			
HOME Investment Partnerships Program	14.239	HM-003-006	<u>145,717</u>
Total for Federal Grantor Agency			<u>1,098,790</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Pass-Through Indiana Department of Natural Resources			
Outdoor Recreation-Acquisition, Development and Planning	15.916	LWCF 1800546	<u>28,020</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Public Safety Partnership and Community Policing Grants	16.710		
COPS in School		2002SHWX0324	<u>84,567</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601		
FY05		OP-05-02, T-03, P-48	<u>14,056</u>
Safety Incentive Grants for Use of Seatbelts	20.604		
FY 04		IN-05-02, T-03, P-11	<u>4,999</u>
Total for Federal Grantor Agency			<u>19,055</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Direct Grant			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF965582-01-0	<u>289,373</u>
Pass-Through Indiana Department of Environmental Management			
Capitalization Grants for Clean Water State Revolving Funds	66.458		
State Revolving Loan		CS 18233601	<u>1,818,782</u>
Total for Federal Grantor Agency			<u>2,108,155</u>
Total Federal Awards Expended			<u>\$ 3,338,587</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF NEW ALBANY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of New Albany (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

II. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2005:

Program Title	Federal CFDA Number	2005
Community Development Block Grants/Entitlement Grants	14.218	
New Directions Housing Corporation		\$ 2,125
Providence Self Sufficiency Ministries		62,812
Supportive Housing Program	14.235	
Salvation Army Center for Hope Transitional Housing		24,434
LifeSpring Mental Health Services		30

CITY OF NEW ALBANY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	yes
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

No matters are reportable.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2005-1, EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Federal Award Number: CS 18233601
Pass-Through Entity: Indiana Department of Environmental Management

In gaining an understanding of the internal control system the City has in place for the major federal programs, we noted the City does not maintain sufficient detailed records of capital assets for the City owned capital assets, which also includes Wastewater Utility owned capital assets. Some current year capital asset transactions were not recorded by the City. Deletions and disposals of capital assets were not recorded. In addition, inventories of capital assets were not taken by all departments so that capital assets on hand can be reconciled back to the capital asset ledger.

Uniform Administrative Requirements for Grant and Cooperative Agreements to State and Local Governments, otherwise known as the Common Rule, requires that grantees maintain equipment records, take a physical inventory at least once every two years, design an appropriate control system to safeguard equipment, and adequately maintain all equipment.

Failure to conduct adequate inventories of capital assets and maintain capital asset records may result in property and equipment being lost, stolen, or otherwise misappropriated without detection.

We recommended the City properly maintain capital asset records as required by the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns.

CITY OF NEW ALBANY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



FOUNDED 1813

City of New Albany

Kathlyn M. Garry
City Controller

CORRECTIVE ACTION PLAN

The following information relates to the following finding:

Finding No. 2005-1: EQUIPMENT AND REAL PROPERTY MANAGEMENT

Expected Completion Date:

Capital Asset Records: Summer 2007

Capital Asset Records

The City is continuing its in-house work to compile adequate capital asset records. However, with the computer program available in the software system, the continuing possibility of hiring an outside firm to compile listings of all City and Utility owned capital assets may be necessary when and if funding becomes available.

Kathlyn M. Garry

Controller

8/8/06

Date

Room 323 • City-County Building • New Albany, Indiana 47150-3586
Telephone: (812) 948-5333 • Fax: (812) 981-3775

CITY OF NEW ALBANY
EXIT CONFERENCE

The contents of this report were discussed on August 8, 2006, with Kathlyn M. Garry, Controller; James E. Garner, Mayor; Jeff Gahan, President of the Common Council; and Shane L. Gibson, City Attorney.