

B29854

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

ANNUAL FINANCIAL REPORT

2006

CITY OF NEW ALBANY

FLOYD COUNTY, INDIANA



FILED

05/04/2007

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SCHEDULE OF OFFICIALS

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



STATE OF INDIANA
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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, 2006, 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, 2006, 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 April 9, 2007, 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 it.

STATE BOARD OF ACCOUNTS

April 9, 2007



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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, 2006, and have issued our report thereon dated April 9, 2007. 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

April 9, 2007

CITY OF NEW ALBANY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2006

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	\$ 5,637,578	\$ 4,254,041	\$ 3,663,825	\$ 134,337	\$ 2,414,625	\$ -	\$ 2,414,625
Public safety	14,687,499	451,704	213,719	-	(14,022,076)	-	(14,022,076)
Highways and streets	1,822,817	100,898	1,824,184	105,271	207,536	-	207,536
Health and welfare	715,356	560,167	-	-	(155,189)	-	(155,189)
Culture and recreation	1,410,897	368,542	116,715	1,292,319	366,679	-	366,679
Urban redevelopment and housing	836,230	233,128	608,384	-	5,282	-	5,282
Economic development	32,534	11,750	3,000	3,289,870	3,272,086	-	3,272,086
Debt service	2,588,593	-	-	-	(2,588,593)	-	(2,588,593)
Capital outlay	3,708,788	-	-	22,105	(3,686,683)	-	(3,686,683)
Total governmental activities	<u>31,440,292</u>	<u>5,980,230</u>	<u>6,429,827</u>	<u>4,843,902</u>	<u>(14,186,333)</u>	<u>-</u>	<u>(14,186,333)</u>
Business-type activities:							
Wastewater	<u>13,814,012</u>	<u>14,157,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>343,215</u>	<u>343,215</u>
Total primary government	<u>\$ 45,254,304</u>	<u>\$ 20,137,457</u>	<u>\$ 6,429,827</u>	<u>\$ 4,843,902</u>	<u>(14,186,333)</u>	<u>343,215</u>	<u>(13,843,118)</u>
General receipts:							
Property taxes					13,081,626	-	13,081,626
Gaming taxes					236,628	-	236,628
Riverboat revenue sharing					706,810	-	706,810
Bonds and loans					470,000	1,220,768	1,690,768
Unrestricted intergovernmental receipts					951,534	-	951,534
Unrestricted investment earnings					124,945	41,672	166,617
Proceeds from sale of assets					14,266	103,789	118,055
Insurance proceeds					19,734	-	19,734
Intergovernmental disbursements					(259,831)	-	(259,831)
Special items:							
Refund of EDIT bond reserve account (See Note IV, I)					3,374,554	-	3,374,554
Interfund loans					<u>64,458</u>	<u>-</u>	<u>64,458</u>
Total general receipts, special items, and interfund loans					<u>18,784,724</u>	<u>1,366,229</u>	<u>20,150,953</u>
Change in net assets					4,598,391	1,709,444	6,307,835
Net assets - beginning					<u>10,503,473</u>	<u>2,606,951</u>	<u>13,110,424</u>
Net assets - ending					<u>\$ 15,101,864</u>	<u>\$ 4,316,395</u>	<u>\$ 19,418,259</u>
Assets							
Cash and investments					\$ (1,004,332)	\$ 1,353,401	\$ 349,069
Restricted assets:							
Cash and investments					16,106,196	1,097,261	17,203,457
Cash and investments with fiscal agent					<u>-</u>	<u>1,865,733</u>	<u>1,865,733</u>
Total assets					<u>\$ 15,101,864</u>	<u>\$ 4,316,395</u>	<u>\$ 19,418,259</u>
Net Assets							
Restricted for:							
General government					\$ 260,290	\$ -	\$ 260,290
Public safety					456,767	-	456,767
Highways and streets					514,336	-	514,336
Health and welfare					227,999	-	227,999
Culture and recreation					310,456	-	310,456
Urban redevelopment and housing					132,531	-	132,531
Economic development					475,889	-	475,889
Debt service					228,501	2,896,796	3,125,297
Capital outlay					13,499,427	66,198	13,565,625
Unrestricted					<u>(1,004,332)</u>	<u>1,353,401</u>	<u>349,069</u>
Total net assets					<u>\$ 15,101,864</u>	<u>\$ 4,316,395</u>	<u>\$ 19,418,259</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, 2006

	General	Economic Development Income Tax	TIF Bond Grantline Road	TIF Allocation	Other Governmental Funds	Totals
Receipts:						
Taxes	\$ 9,553,871	\$ -	\$ -	\$ 514,285	\$ 3,013,470	\$ 13,081,626
Intergovernmental	4,691,644	2,092,870	-	1,285,043	5,099,144	13,168,701
Charges for services	595,885	-	-	-	1,564,129	2,160,014
Other	63,770	-	32,192	21,618	41,365	158,945
	<u>14,905,170</u>	<u>2,092,870</u>	<u>32,192</u>	<u>1,820,946</u>	<u>9,718,108</u>	<u>28,569,286</u>
Total receipts						
Disbursements:						
General government	1,448,308	-	-	-	226,663	1,674,971
Public safety	14,272,360	-	-	-	415,139	14,687,499
Highways and streets	-	-	-	-	1,822,817	1,822,817
Health and welfare	176,096	-	-	-	539,260	715,356
Culture and recreation	-	-	-	-	1,410,897	1,410,897
Urban redevelopment and housing	-	-	-	-	836,230	836,230
Economic development	-	-	-	-	32,534	32,534
Debt service:						
Principal	-	615,000	-	95,000	1,359,395	2,069,395
Interest	-	269,000	-	53,353	196,845	519,198
Capital outlay:						
General government	-	-	-	-	119,457	119,457
Highways and streets	-	-	-	1,229,003	1,264,443	2,493,446
Economic development	-	107,080	-	-	988,805	1,095,885
	<u>15,896,764</u>	<u>991,080</u>	<u>-</u>	<u>1,377,356</u>	<u>9,212,485</u>	<u>27,477,685</u>
Total disbursements						
Excess (deficiency) of revenue over (under) disbursements	<u>(991,594)</u>	<u>1,101,790</u>	<u>32,192</u>	<u>443,590</u>	<u>505,623</u>	<u>1,091,601</u>
Other financing sources (uses)						
Bond proceeds	-	-	-	-	470,000	470,000
Interfund loan proceeds/repayments received	6,500,000	-	-	6,500,000	64,458	13,064,458
Interfund loans made/repayments of loans	(6,500,000)	-	-	(6,500,000)	-	(13,000,000)
Interfund services provided and used	-	-	-	-	(259,831)	(259,831)
Transfers in	-	-	-	-	231,832	231,832
Transfers out	-	-	-	-	(231,832)	(231,832)
Other receipts	-	3,374,554	-	-	-	3,374,554
	<u>-</u>	<u>3,374,554</u>	<u>-</u>	<u>-</u>	<u>274,627</u>	<u>3,649,181</u>
Total other financing sources						
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>(991,594)</u>	<u>4,476,344</u>	<u>32,192</u>	<u>443,590</u>	<u>780,250</u>	<u>4,740,782</u>
Cash and investment fund balance - beginning	<u>(743,906)</u>	<u>372,794</u>	<u>1,528,350</u>	<u>3,603,008</u>	<u>5,434,856</u>	<u>10,195,102</u>
Cash and investment fund balance - ending	<u><u>\$(1,735,500)</u></u>	<u><u>\$ 4,849,138</u></u>	<u><u>\$ 1,560,542</u></u>	<u><u>\$ 4,046,598</u></u>	<u><u>\$ 6,215,106</u></u>	<u><u>14,935,884</u></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,
(Continued)

	General	Economic Development Income Tax	TIF Bond Grantline Road	TIF Allocation	Other Governmental Funds	Totals
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.						165,980
Net assets of governmental activities						\$ 15,101,864
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$(1,735,500)	\$ -	\$ -	\$ -	\$ 731,168	\$ (1,004,332)
Restricted assets:						
Cash and investments	-	4,849,138	1,560,542	4,046,598	5,483,938	15,940,216
Total cash and investment assets - December 31	\$(1,735,500)	\$ 4,849,138	\$ 1,560,542	\$ 4,046,598	\$ 6,215,106	\$ 14,935,884
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ 94,310	\$ 94,310
Public safety	-	-	-	-	456,767	456,767
Highways and streets	-	-	-	-	514,336	514,336
Health and welfare	-	-	-	-	227,999	227,999
Culture and recreation	-	-	-	-	310,456	310,456
Urban redevelopment and housing	-	-	-	-	132,531	132,531
Economic development	-	-	-	-	475,889	475,889
Debt service	-	-	-	-	228,501	228,501
Capital outlay	-	4,849,138	1,560,542	4,046,598	3,043,149	13,499,427
Unrestricted	(1,735,500)	-	-	-	731,168	(1,004,332)
Total cash and investment fund balance - December 31	\$(1,735,500)	\$ 4,849,138	\$ 1,560,542	\$ 4,046,598	\$ 6,215,106	\$ 14,935,884

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, 2006

	Wastewater Utility	Internal Service Fund
Operating receipts:		
Measured wastewater revenue:	\$ 10,697,237	\$ -
Sanitation revenue	2,161,306	-
Storm water revenue	867,196	-
Other wastewater revenue	389,926	-
Other sanitation revenue	41,562	-
Insurance proceeds	-	3,820,216
	<u>14,157,227</u>	<u>3,820,216</u>
Total operating receipts		
Operating disbursements:		
Cost of sales and services	-	281,735
Equipment and capital improvements	1,175	-
Collection system - operations and maintenance	314,448	-
Treatment and disposal disbursements - operations and maintenance	6,331,100	-
Sanitation - operations and maintenance	2,251,620	-
Storm water - operations and maintenance	379,054	-
Administration and general	679,753	-
Insurance disbursements	-	3,680,872
	<u>9,957,150</u>	<u>3,962,607</u>
Total operating disbursements		
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>4,200,077</u>	<u>(142,391)</u>
Nonoperating receipts (disbursements):		
Bond proceeds	1,220,768	-
Interest and investment receipts	41,672	-
Miscellaneous receipts	103,789	-
Debt service of principal	(1,779,379)	-
Interest and investment disbursement	(2,077,483)	-
	<u>(2,490,633)</u>	<u>-</u>
Total nonoperating receipts (disbursements)		
Excess (deficiency) of receipts over (under) disbursements and nonoperating receipts (disbursements)	1,709,444	(142,391)
Cash and investment fund balance - beginning	<u>2,606,951</u>	<u>308,371</u>
Cash and investment fund balance - ending	<u>\$ 4,316,395</u>	<u>\$ 165,980</u>
<u>Cash and Investment Assets - December 31</u>		
Cash and investments	\$ 1,353,401	\$ -
Restricted assets:		
Cash and investments	1,097,261	165,980
Cash and Investments with fiscal agent	1,865,733	-
	<u>\$ 4,316,395</u>	<u>\$ 165,980</u>
Total cash and investment assets - December 31		
<u>Cash and Investment Fund Balance - December 31</u>		
Restricted for:		
General government	\$ -	\$ 165,980
Debt service	2,896,796	-
Capital outlay	66,198	-
Unrestricted	<u>1,353,401</u>	<u>-</u>
Total cash and investment fund balance - December 31	<u>\$ 4,316,395</u>	<u>\$ 165,980</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, 2006

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Fund</u>
Additions:			
Contributions:			
Employer	\$ 995,809	\$ -	\$ -
Plan members	35,999	-	-
State	3,140,039	-	-
Other	-	4,000	-
	<u>-</u>	<u>4,000</u>	<u>-</u>
Total contributions	<u>4,171,847</u>	<u>4,000</u>	<u>-</u>
Investment earnings:			
Interest	-	6,307	-
	<u>-</u>	<u>6,307</u>	<u>-</u>
Agency fund additions	-	-	18,375,594
	<u>-</u>	<u>-</u>	<u>18,375,594</u>
Total additions	<u>4,171,847</u>	<u>10,307</u>	<u>18,375,594</u>
Deductions:			
Benefits	4,019,662	-	-
Administrative and general	15,415	3,385	-
Agency fund deductions	-	-	18,433,867
	<u>-</u>	<u>-</u>	<u>18,433,867</u>
Total deductions	<u>4,035,077</u>	<u>3,385</u>	<u>18,433,867</u>
Excess (deficiency) of total additions over (under) total deductions	136,770	6,922	(58,273)
Cash and investment fund balance - beginning	<u>1,218,033</u>	<u>225,372</u>	<u>489,569</u>
Cash and investment fund balance - ending	<u>\$ 1,354,803</u>	<u>\$ 232,294</u>	<u>\$ 431,296</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 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 displays 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 primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The economic development income tax fund is used to account for receipts and disbursements in accordance with Indiana Code 6-3.5-7, and can be used for various economic development projects or for any lawful purpose for which money in any of its other funds may be used.

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 accounts 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 account 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.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

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,

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – 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.

Prior to the first required publication, 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, 2006, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2006
General	\$ 405,453
Motor Vehicle Highway	242,463
Tree Board Nonreverting	6,850
Drainage	8,800
Rainy Day	114,841
Total	\$ 778,407

These disbursements were funded with unappropriated available cash balances.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Cash and Investment Balance Deficits

At December 31, 2006, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2006
General	\$ 1,735,500
Motor Vehicle Highway	582,821
Unsafe Building	56,155
Indiana Housing Board Rental Rehabilitation	14,966

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.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. 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.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2006, the City had the following investments:

Type	Value
Mutual Funds	\$ <u>666,231</u>

Investment Policies

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments. At December 31, 2006, the City held investments in mutual funds in the amount of \$666,231. Of these investments \$666,231 was held by the counterparty's trust department or agent but not in the City's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years.

Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
Mutual Funds	\$ 666,231	\$ -	\$ -

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Standard and Poor's Rating	Moody's Rating	<u>City's Investments</u> Mutual Funds
AAA	Aaa	\$ 666,231

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy in regards to concentration of credit risk.

Foreign Currency Risk

The City does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, were as follows:

Transfer From	Transfer To	2006
Other governmental	Other governmental	\$ 231,832

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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); 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 Dental Insurance

The City has chosen to establish a risk financing fund for risks associated with dental 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. Interfund premiums are paid into the fund by all

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund based on the number of employees paid from each fund.

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 2006 was \$3,500,246. 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 Obligation

Capital Development Tourism Fund Revenue Bonds Series, 2003 and 2006

During 2006, the City issued Capital Development Tourism Fund Revenue Bonds in the amount of \$270,000 for the construction of tennis facilities at Indiana University Southeast. 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.

CITY OF NEW ALBANY
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

As of December 31, 2006, the Capital Development Tourism Fund Revenue Bonds had an outstanding aggregate principal payable of \$608,577.

Economic Development Commission, Industrial Revenue Bonds

From time to time, the City has issued Economic Development, Indiana Hospital Facilities and Multifamily 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, 2006, there were eight 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 six series issued after July 1, 1995, was \$24,555,000. 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 health insurance 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 Local 1861 Union and CWA Communications Union employees who retire from the City with at least 10 years of service. Currently, 82 retirees meet these eligibility requirements. The City provides a maximum \$1,214 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, 2006, disbursements of \$621,873 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-06-29	08-30-06
Sanitation	A-01-47	12-21-01
Tap-in	G-06-01	01-09-06
Storm water	G-06-21	06-06-06

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

G. Pledge of Economic Development Income Tax (EDIT) Revenues

The City has entered into the following irrevocable pledges for EDIT revenues:

1997 Lease Pledge

The City has a lease rental agreement with the New Albany Redevelopment Authority for the State Street parking garage. The remaining annual lease payments for 2007 and 2008, are \$613,000 and \$615,000, respectively. Payments are to be made using tax increment revenues received by the City. Under the agreement, should tax increment revenues received be insufficient to pay the lease payments, then the city agrees to use EDIT revenues to make up any shortfall.

2006 Lease Pledge

The City entered into a lease rental agreement with the New Albany Redevelopment Authority for the Scribner Aquatic Center. Under the agreement, the City has pledged EDIT revenues in the amount of \$114,250 to \$116,750, during the years 2009 to 2022, which is to be used toward the annual lease payments.

2006 Wastewater Utility Pledge

Revenue Bond Ordinance G-06-30 and G-06-31, requires the City to transfer EDIT revenues annually to the Wastewater Utility during the years 2006 to 2023. Annual required transfers range from \$270,000 to \$875,000. The transfers are to ensure sufficient operating funds are on hand for the Utility.

H. Debt Refunding

On October 24, 2006, the City of New Albany issued \$10,525,000 in sewage works refunding revenue bonds with an average rate of 4.14% for the current refunding of \$4,480,000 of outstanding 1997 series bonds with an average interest rate of 5.07% and for the advance refunding of \$5,825,000 of outstanding 1999B series bonds with an average interest rate of 4.92%. The net proceeds of \$10,649,760 (after payment of \$200,000 in issuance costs and \$324,760 received in bond premiums) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 and 1999B series bonds. The 1997 series bonds were redeemed on November 27, 2006, and the 1999B series will be redeemed on September 27, 2009. As a result, these bonds are considered to be defeased and are no longer a debt obligation of the City. The City in effect decreased its aggregate debt service payments by \$428,171 over the next 12 years and realized an economic gain (difference between the present values of the old debt and the new debt service payments) of \$338,431.

I. Special Item

During 2006, Floyd County made the final payment on the capital lease with the New Albany–Floyd County Building Authority for the Criminal Justice Center. At the inception of the issuance of bonds to construct the Criminal Justice Center, the City of New Albany and Floyd County deposited funds into

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

a trust account to establish a Debt Service Reserve Fund. Upon final payment of the bonds, this trust account and any accumulated earnings, along with the funds in any other accounts associated with those bonds, was distributed back to the City of New Albany and Floyd County. The City's 50% share of this distribution amounted to \$3,374,554, and is shown as a "Special Item" on the Statement of Activities and Net Assets.

J. 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 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.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Wastewater Utility is not available.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Annual required contribution	\$ 45,298	\$ 3,338,700	\$ 4,451,500
Interest on net pension obligation	(24,274)	935,200	1,052,900
Adjustment to annual required contribution	<u>27,663</u>	<u>(1,633,800)</u>	<u>(1,839,500)</u>
Annual pension cost	48,687	2,640,100	3,664,900
Contributions made	<u>141,187</u>	<u>1,810,106</u>	<u>2,242,204</u>
Increase (decrease) in net pension obligation	(92,500)	829,994	1,422,696
Net pension obligation, beginning of year	<u>(334,820)</u>	<u>13,854,345</u>	<u>15,598,723</u>
Net pension obligation, end of year	<u>\$ (427,320)</u>	<u>\$ 14,684,339</u>	<u>\$ 17,021,419</u>
Contribution rates:			
City	3.38%	319%	496%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-05	01-01-05	01-01-05
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	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

Actuarial Assumptions

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

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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	12-31-02	2,715,800	52%	12,105,702
	12-31-03	2,694,500	35%	13,854,345
	12-31-04	2,640,100	69%	14,684,339
1937 Firefighters' Pension Plan	12-31-02	3,631,200	66%	13,129,665
	12-31-03	3,737,500	34%	15,598,723
	12-31-04	3,664,900	61%	17,021,419

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2006, were comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retirees and beneficiaries currently receiving benefits	48	65
Current active employees	13	18

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.

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:

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2006, 2005, and 2004, were \$1,179,038, \$1,126,997, and \$1,357,140, 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 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	5,583,699	4,042,480	1,541,219	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)
01-01-00	\$ 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	27,123,300	(26,964,820)	1%	1,020,600	(2,642%)
01-01-05	638,966	26,862,500	(26,223,534)	2%	1,046,300	(2,506%)

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)
01-01-00	\$ 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%)
01-01-05	860,666	34,158,400	(33,297,734)	3%	896,800	(3,713%)

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	12-31-99	\$ 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%
	12-31-04	3,338,700	24%	31%
1937 Firefighters' Pension Plan	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%
	12-31-04	4,451,500	16%	34%

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, 2006

	Motor Vehicle Highway	Local Road and Street	Park and Recreation	Park Nonreverting Operating	Park Nonreverting Shelter House	Communications Nonreverting	EMS
Receipts:							
Taxes	\$ -	\$ -	\$ 1,004,265	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,416,951	407,233	111,265	-	-	-	-
Charges for services	4,350	5,000	97,680	254,987	11,475	-	560,167
Other	7,945	-	-	-	-	-	-
Total receipts	1,429,246	412,233	1,213,210	254,987	11,475	-	560,167
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	18,184	-
Highways and streets	1,539,563	233,732	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	539,260
Culture and recreation	-	-	1,188,517	212,362	9,598	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	1,539,563	233,732	1,188,517	212,362	9,598	18,184	539,260
Excess (deficiency) of receipts over (under) disbursements	(110,317)	178,501	24,693	42,625	1,877	(18,184)	20,907
Other financing sources (uses)							
Bond proceeds	-	-	-	-	-	-	-
Interfund loan proceeds/repayments received	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(110,317)	178,501	24,693	42,625	1,877	(18,184)	20,907
Cash and investment fund balance - beginning	(472,504)	197,828	156,190	42,574	42,497	18,654	207,092
Cash and investment fund balance - ending	<u>\$ (582,821)</u>	<u>\$ 376,329</u>	<u>\$ 180,883</u>	<u>\$ 85,199</u>	<u>\$ 44,374</u>	<u>\$ 470</u>	<u>\$ 227,999</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ (582,821)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	-	376,329	180,883	85,199	44,374	470	227,999
Total cash and investment assets - December 31	<u>\$ (582,821)</u>	<u>\$ 376,329</u>	<u>\$ 180,883</u>	<u>\$ 85,199</u>	<u>\$ 44,374</u>	<u>\$ 470</u>	<u>\$ 227,999</u>
Cash and Investment Fund Balance - December 31							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	470	-
Highways and streets	-	376,329	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	227,999
Culture and recreation	-	-	180,883	85,199	44,374	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	(582,821)	-	-	-	-	-	-
Total cash and investment fund balance - December 31	<u>\$ (582,821)</u>	<u>\$ 376,329</u>	<u>\$ 180,883</u>	<u>\$ 85,199</u>	<u>\$ 44,374</u>	<u>\$ 470</u>	<u>\$ 227,999</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, 2006
 (Continued)

	Donations	Crimes Against Children	Veterinary Nonreverting	Animal Control Nonreverting	Tree Board Nonreverting	Farmers Market	Street Maintenance and Parking Meter
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	46,424	-	-	-	-	-	-
Charges for services	-	-	41,231	11,889	-	-	43,405
Other	-	-	-	-	-	-	-
Total receipts	46,424	-	41,231	11,889	-	-	43,405
Disbursements:							
General government	4,041	-	-	-	6,850	-	-
Public safety	16,821	14,188	40,092	8,271	-	-	-
Highways and streets	-	-	-	-	-	-	49,522
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	420	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	21,282	14,188	40,092	8,271	6,850	-	49,522
Excess (deficiency) of receipts over (under) disbursements	25,142	(14,188)	1,139	3,618	(6,850)	-	(6,117)
Other financing sources (uses)							
Bond proceeds	-	-	-	-	-	-	-
Interfund loan proceeds/repayments received	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	25,142	(14,188)	1,139	3,618	(6,850)	-	(6,117)
Cash and investment fund balance - beginning	57,569	14,210	43,068	9,543	18,488	1,000	28,593
Cash and investment fund balance - ending	<u>\$ 82,711</u>	<u>\$ 22</u>	<u>\$ 44,207</u>	<u>\$ 13,161</u>	<u>\$ 11,638</u>	<u>\$ 1,000</u>	<u>\$ 22,476</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ 82,711	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	-	22	44,207	13,161	11,638	1,000	22,476
Total cash and investment assets - December 31	\$ 82,711	\$ 22	\$ 44,207	\$ 13,161	\$ 11,638	\$ 1,000	\$ 22,476
Cash and Investment Fund Balance - December 31							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ 11,638	\$ -	\$ -
Public safety	-	22	44,207	13,161	-	-	-
Highways and streets	-	-	-	-	-	-	22,476
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	1,000	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	82,711	-	-	-	-	-	-
Total cash and investment fund balance - December 31	\$ 82,711	\$ 22	\$ 44,207	\$ 13,161	\$ 11,638	\$ 1,000	\$ 22,476

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, 2006
 (Continued)

	Abandoned Vehicles	Law Enforcement Continuing Education	Police Drug Fund	Walking Patrol	Local Law Grant	Unsafe Building	Riverboat Income Nonreverting
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	91,891	20,228	-	943,438
Charges for services	31,588	25,058	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	31,588	25,058	-	91,891	20,228	-	943,438
Disbursements:							
General government	-	-	-	-	-	-	39,395
Public safety	39,894	12,540	-	92,481	29,301	-	69,200
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	409,395
Interest	-	-	-	-	-	-	18,077
Capital outlay:							
General government	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	39,894	12,540	-	92,481	29,301	-	536,067
Excess (deficiency) of receipts over (under) disbursements	(8,306)	12,518	-	(590)	(9,073)	-	407,371
Other financing sources (uses)							
Bond proceeds	-	-	-	-	-	-	-
Interfund loan proceeds/repayments received	-	-	-	-	-	-	64,458
Interfund services provided and used	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	64,458
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(8,306)	12,518	-	(590)	(9,073)	-	471,829
Cash and investment fund balance - beginning	19,229	(633)	859	15,578	9,083	(56,155)	805,176
Cash and investment fund balance - ending	<u>\$ 10,923</u>	<u>\$ 11,885</u>	<u>\$ 859</u>	<u>\$ 14,988</u>	<u>\$ 10</u>	<u>\$ (56,155)</u>	<u>\$ 1,277,005</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (56,155)	\$ 1,277,005
Restricted assets:							
Cash and investments	10,923	11,885	859	14,988	10	-	-
Total cash and investment assets - December 31	<u>\$ 10,923</u>	<u>\$ 11,885</u>	<u>\$ 859</u>	<u>\$ 14,988</u>	<u>\$ 10</u>	<u>\$ (56,155)</u>	<u>\$ 1,277,005</u>
Cash and Investment Fund Balance - December 31							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	10,923	11,885	859	14,988	10	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	(56,155)	1,277,005
Total cash and investment fund balance - December 31	<u>\$ 10,923</u>	<u>\$ 11,885</u>	<u>\$ 859</u>	<u>\$ 14,988</u>	<u>\$ 10</u>	<u>\$ (56,155)</u>	<u>\$ 1,277,005</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, 2006
 (Continued)

	Rainy Day	Fire Contract Runs	Community Promotions	City Redevelopment	CDBG Rehabilitation Loan Escrow	New Directions	Indiana Housing Board Rental Rehabilitation
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	568,530	-	39,854	-
Charges for services	-	125,196	7,010	139,936	-	-	-
Other	-	8,654	-	3,429	4	-	-
Total receipts	-	133,850	7,010	711,895	4	39,854	-
Disbursements:							
General government	114,842	-	2,175	-	-	-	-
Public safety	-	74,167	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	713,175	-	39,854	190
Economic development	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	114,842	74,167	2,175	713,175	-	39,854	190
Excess (deficiency) of receipts over (under) disbursements	(114,842)	59,683	4,835	(1,280)	4	-	(190)
Other financing sources (uses)							
Bond proceeds	-	-	-	-	-	-	-
Interfund loan proceeds/repayments received	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(114,842)	59,683	4,835	(1,280)	4	-	(190)
Cash and investment fund balance - beginning	140,236	290,153	2,105	12,566	1,240	197	(14,776)
Cash and investment fund balance - ending	\$ 25,394	\$ 349,836	\$ 6,940	\$ 11,286	\$ 1,244	\$ 197	\$ (14,966)
Cash and Investment Assets - December 31							
Cash and investments	\$ 25,394	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (14,966)
Restricted assets:							
Cash and investments	-	349,836	6,940	11,286	1,244	197	-
Total cash and investment assets - December 31	\$ 25,394	\$ 349,836	\$ 6,940	\$ 11,286	\$ 1,244	\$ 197	\$ (14,966)
Cash and Investment Fund Balance - December 31							
Restricted for:							
General government	\$ -	\$ -	\$ 6,940	\$ -	\$ -	\$ -	\$ -
Public safety	-	349,836	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	11,286	1,244	197	-
Economic development	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	25,394	-	-	-	-	-	(14,966)
Total cash and investment fund balance - December 31	\$ 25,394	\$ 349,836	\$ 6,940	\$ 11,286	\$ 1,244	\$ 197	\$ (14,966)

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, 2006
 (Continued)

	Redevelopment Home Improvement	Interest- Federal Equity Share	Redevelopment Tax Abatement	Rauch Fairmont Neighborhood	Drainage	County Redevelopment	State Street Garage Nonreverting
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-
Charges for services	90,902	-	11,750	-	-	2,290	31,315
Other	-	89	-	201	-	802	-
Total receipts	90,902	89	11,750	201	-	3,092	31,315
Disbursements:							
General government	-	-	-	-	8,800	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	78,979	-	-	-	-	930	-
Economic development	-	-	2,360	30,174	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	14,035
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	78,979	-	2,360	30,174	8,800	930	14,035
Excess (deficiency) of receipts over (under) disbursements	11,923	89	9,390	(29,973)	(8,800)	2,162	17,280
Other financing sources (uses)							
Bond proceeds	-	-	-	-	-	-	-
Interfund loan proceeds/repayments received	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	11,923	89	9,390	(29,973)	(8,800)	2,162	17,280
Cash and investment fund balance - beginning	62,447	10,317	22,218	29,973	63,528	43,272	43,523
Cash and investment fund balance - ending	<u>\$ 74,370</u>	<u>\$ 10,406</u>	<u>\$ 31,608</u>	<u>\$ -</u>	<u>\$ 54,728</u>	<u>\$ 45,434</u>	<u>\$ 60,803</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	74,370	10,406	31,608	-	54,728	45,434	60,803
Total cash and investment assets - December 31	<u>\$ 74,370</u>	<u>\$ 10,406</u>	<u>\$ 31,608</u>	<u>\$ -</u>	<u>\$ 54,728</u>	<u>\$ 45,434</u>	<u>\$ 60,803</u>
Cash and Investment Fund Balance - December 31							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	10,406	-	-	-	-	-
Highways and streets	-	-	-	-	54,728	-	60,803
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	74,370	-	-	-	-	45,434	-
Economic development	-	-	31,608	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-
Total cash and investment fund balance - December 31	<u>\$ 74,370</u>	<u>\$ 10,406</u>	<u>\$ 31,608</u>	<u>\$ -</u>	<u>\$ 54,728</u>	<u>\$ 45,434</u>	<u>\$ 60,803</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, 2006
 (Continued)

	Reserve Liability Insurance	Cumulative Capital Improvement	Park Cumulative Building	Caesar's Donation	Tourism Bond	TIF Bond Park East	Redevelopment BAN Charlestown Road
Receipts:							
Taxes	\$ 49,507	\$ -	\$ 131,402	\$ -	\$ -	\$ -	\$ -
Intergovernmental	4,569	134,337	22,105	1,292,319	-	-	-
Charges for services	64,500	-	-	4,400	-	-	-
Other	-	-	-	-	-	8,092	3,648
Total receipts	118,576	134,337	153,507	1,296,719	-	8,092	3,648
Disbursements:							
General government	50,560	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	820,000	-	-	-
Interest	-	-	-	62,387	-	-	-
Capital outlay:							
General government	-	119,457	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	34,790
Culture and recreation	-	-	161,854	826,951	-	-	-
Total disbursements	50,560	119,457	161,854	1,709,338	-	-	34,790
Excess (deficiency) of receipts over (under) disbursements	68,016	14,880	(8,347)	(412,619)	-	8,092	(31,142)
Other financing sources (uses)							
Bond proceeds	-	-	-	200,000	270,000	-	-
Interfund loan proceeds/repayments received	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(231,832)
Total other financing sources (uses)	-	-	-	200,000	270,000	-	(231,832)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	68,016	14,880	(8,347)	(212,619)	270,000	8,092	(262,974)
Cash and investment fund balance - beginning	7,716	380,729	158,797	340,023	173,281	196,286	620,858
Cash and investment fund balance - ending	\$ 75,732	\$ 395,609	\$ 150,450	\$ 127,404	\$ 443,281	\$ 204,378	\$ 357,884
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	75,732	395,609	150,450	127,404	443,281	204,378	357,884
Total cash and investment assets - December 31	\$ 75,732	\$ 395,609	\$ 150,450	\$ 127,404	\$ 443,281	\$ 204,378	\$ 357,884
Cash and Investment Fund Balance - December 31							
Restricted for:							
General government	\$ 75,732	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Economic development	-	-	-	-	443,281	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	395,609	150,450	127,404	-	204,378	357,884
Unrestricted	-	-	-	-	-	-	-
Total cash and investment fund balance - December 31	\$ 75,732	\$ 395,609	\$ 150,450	\$ 127,404	\$ 443,281	\$ 204,378	\$ 357,884

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, 2006
 (Continued)

	TIF Park East Industrial	TIF State Street	TIF Garage	TIF Charlestown Road	TIF Charlestown Road Debt Reserve	Totals
Receipts:						
Taxes	\$ 560,806	\$ 426,186	\$ 172,690	\$ 668,614	\$ -	\$ 3,013,470
Intergovernmental	-	-	-	-	-	5,099,144
Charges for services	-	-	-	-	-	1,564,129
Other	-	-	-	-	8,501	41,365
Total receipts	560,806	426,186	172,690	668,614	8,501	9,718,108
Disbursements:						
General government	-	-	-	-	-	226,663
Public safety	-	-	-	-	-	415,139
Highways and streets	-	-	-	-	-	1,822,817
Health and welfare	-	-	-	-	-	539,260
Culture and recreation	-	-	-	-	-	1,410,897
Urban redevelopment and housing	-	-	3,102	-	-	836,230
Economic development	-	-	-	-	-	32,534
Debt service:						
Principal	130,000	-	-	-	-	1,359,395
Interest	58,120	-	-	58,261	-	196,845
Capital outlay:						
General government	-	-	-	-	-	119,457
Highways and streets	640,208	135,225	-	440,185	-	1,264,443
Culture and recreation	-	-	-	-	-	988,805
Total disbursements	828,328	135,225	3,102	498,446	-	9,212,485
Excess (deficiency) of receipts over (under) disbursements	(267,522)	290,961	169,588	170,168	8,501	505,623
Other financing sources (uses)						
Bond proceeds	-	-	-	-	-	470,000
Interfund loan proceeds/repayments received	-	-	-	-	-	64,458
Interfund services provided and used	-	(259,831)	-	-	-	(259,831)
Transfers in	-	-	-	231,832	-	231,832
Transfers out	-	-	-	-	-	(231,832)
Total other financing sources (uses)	-	(259,831)	-	231,832	-	274,627
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(267,522)	31,130	169,588	402,000	8,501	780,250
Cash and investment fund balance - beginning	407,338	626,622	161,001	277,267	220,000	5,434,856
Cash and investment fund balance - ending	\$ 139,816	\$ 657,752	\$ 330,589	\$ 679,267	\$ 228,501	\$ 6,215,106
Cash and Investment Assets - December 31						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 731,168
Restricted assets:						
Cash and investments	139,816	657,752	330,589	679,267	228,501	5,483,938
Total cash and investment assets - December 31	\$ 139,816	\$ 657,752	\$ 330,589	\$ 679,267	\$ 228,501	\$ 6,215,106
Cash and Investment Fund Balance - December 31						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94,310
Public safety	-	-	-	-	-	456,767
Highways and streets	-	-	-	-	-	514,336
Health and welfare	-	-	-	-	-	227,999
Culture and recreation	-	-	-	-	-	310,456
Urban redevelopment and housing	-	-	-	-	-	132,531
Economic development	-	-	-	-	-	475,889
Debt service	-	-	-	-	228,501	228,501
Capital outlay	139,816	657,752	330,589	679,267	-	3,043,149
Unrestricted	-	-	-	-	-	731,168
Total cash and investment fund balance - December 31	\$ 139,816	\$ 657,752	\$ 330,589	\$ 679,267	\$ 228,501	\$ 6,215,106

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, 2006

	Police Pension	Firefighters' Pension	Total
Additions:			
Contributions:			
Employer	499,732	496,077	995,809
Plan members	15,196	20,803	35,999
State	1,354,943	1,785,096	3,140,039
 Total additions	 1,869,871	 2,301,976	 4,171,847
 Deductions:			
Benefits	1,796,687	2,222,975	4,019,662
Administrative and general	9,573	5,842	15,415
 Total deductions	 1,806,260	 2,228,817	 4,035,077
 Excess of total additions over total deductions	 63,611	 73,159	 136,770
 Cash and investment fund balance - beginning	 730,470	 487,563	 1,218,033
 Cash and investment fund balance - ending	 \$ 794,081	 \$ 560,722	 \$ 1,354,803

CITY OF NEW ALBANY
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Fire vehicles	\$ 82,616	\$ 31,161
State Street Parking Garage	1,130,000	550,000
Scribner Aquatic Center	12,750,000	-
Notes and loans payable:		
Scribner Place Bond Anticipation Note	1,182,015	790,000
Bonds payable:		
Revenue bonds:		
1999 TIF bonds grantline road improvements	1,030,000	100,000
1999 TIF bonds industrial park east improvements	825,000	145,000
2005 TIF bonds charlestown road improvements	<u>2,020,000</u>	<u>185,000</u>
Total governmental activities long-term debt	<u>\$ 19,019,631</u>	<u>\$ 1,801,161</u>
Business-type Activities:		
Wastewater Utility		
Capital leases:		
Trash Containers	\$ 109,564	\$ 109,564
Notes and loans payable:		
Community Wastewater Loan Program Build		
Indiana Loan	407,047	25,579
2002 State Revolving Loan	36,519,001	1,077,000
2006 State Revolving Loan	1,280,000	40,000
Revenue bonds:		
Wastewater 1998 repair and replacement	2,655,000	170,000
Wastewater 2003 refunding	7,830,000	960,000
Wastewater 2006 refunding	<u>10,525,000</u>	<u>295,000</u>
Total Wastewater Utility	<u>59,325,612</u>	<u>2,677,143</u>
Total business-type activities long-term debt:	<u>\$ 59,325,612</u>	<u>\$ 2,677,143</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 eighteen bank accounts. However, these reconciled amounts were not always 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, 2006, the City has \$58,619 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 2006:

Fund	Amount
General	\$ 1,735,500
Motor Vehicle Highway	582,821
Unsafe Building	56,155
Indiana Housing Board Rental Rehabilitation	14,966

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)

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS

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

<u>Fund</u>	<u>Excess Amount Expended</u>
General	\$ 405,453
Local Road and Street	242,463
Tree Board Nonreverting	6,850
Drainage	8,800
Rainy Day	114,841

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."

COLLECTION OF AMOUNTS DUE - ORDINANCE VIOLATIONS

Ordinance violations issued during 2006 in the amount of \$385,855 remain uncollected. The outstanding amount consists primarily of unpaid parking violations. No information was presented to indicate collections of these unpaid violations were being pursued in accordance to procedures authorized by statute.

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

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 2006, Medical Billing Group, LLC wrote off \$221,343 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.

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)

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

DELINQUENT WASTEWATER ACCOUNTS

As of December 31, 2006, delinquent wastewater fees and penalties totaling \$472,654 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. . . ."

COMPENSATION AND BENEFITS

During the review of payroll records we noted several exceptions concerning compensation and benefits paid to some city employees. A summary of these exceptions follows:

Fire Department Employees

The City has a labor contract with the New Albany Professional Firefighters Union that sets forth wages, rates of pay, hours, working conditions and other conditions of employment for all employees of the New Albany Fire Department.

Article 19 of this contract outlines the policy for "Holidays" and states in part:

"Each firefighter shall receive ten (10) holidays paid at ten percent (10%) of the monthly base salary for each day of rank including longevity (but not incidental overtime), or by compensatory time off, consisting of five (5) holidays between January 1 and June 30, and five (5) holidays between July 1 and December 31. . . ."

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

"Furthermore, if an employee does not take the holidays in the two (2) respective periods he/she shall be paid for those holidays no later than the first pay in June and the first pay in December."

Section 2 of the article provides each firefighter with one additional paid holiday, "Incentive Holiday Pay", for each 6 months, providing the firefighter has met all the attendance requirements as outlined in the section. The contract states that these holidays are to be paid to the firefighters through cash payment and not through compensatory time off.

The City provided a total of 14 paid holidays during 2006 to its nonunion employees. Compensation to these employees is through paid time off on the day of the scheduled holiday.

We reviewed time and attendance records and noted that on each of the 14 scheduled "City" holidays, the Chief, the two Assistant Chiefs and the Major, reported that they did not work. Payroll records showed these employees were compensated for each of these 14 days on the applicable bi-weekly pay period even though the contract states they are only entitled to compensatory time off for 10 holidays. Additionally when we reviewed holiday pay issued to fire department employees on the first pay in June and December for holidays not used, we noted that each of these 4 employees received cash payments equivalent to 12 holidays even though they had been compensated for 14 holidays through paid time off. The combined total of cash payments received by these 4 employees on the first pay in June and December was \$23,612.

Police Department Employees

The City has a labor contract with the Fraternal Order of Police (F.O.P) that sets forth wages, rates of pay, hours, working conditions and other conditions of employment for all sworn police officers covered by the terms and conditions of the agreement.

Article 1 of the contract specifies that the contract does not cover the Police Chief, the Assistant Police Chief, and the Police Major.

Article 16 of this contract outlines the policy for "Holidays" for covered members and states in part:

"Members of the F.O.P shall be entitled to fourteen (14) paid holidays. . . .The rate of pay for said holidays shall be ten percent (10%) of the employee's monthly salary, or at the employee's discretion, compensatory time off. Holiday pay shall be paid one-half (1/2) in the first (1st) pay period in June and the remaining one-half (1/2) in the first (1st) pay period in December of each year."

The article outlines the specific days that these 14 holidays are to be observed. These days do not always coincide with the scheduled holidays the City provides to its nonunion City employees. Police officials stated that all members and those employees that are not specifically covered by the contract, the Chief, Assistant Chief and Major, observe the holidays on the specific days as outlined in the contract.

We reviewed time and attendance records and noted that on each of the 14 scheduled "F.O.P" holidays, the Chief, Assistant Chief and the Major, reported that they either did not work or that they worked and claimed overtime compensation for the time they did work on these days. Payroll records showed that each of these 3 employees did receive their full bi-weekly pay during each of the holiday pay periods, and if applicable, given overtime compensation for any hours they may have worked on these holidays.

We reviewed holiday pay issued during the first pay in June and December to members covered by the contract for holidays not used. During this review, we noted that the Chief, Assistant Chief, and Major each received cash payment equivalent to 14 holidays, even though they are specifically not covered under

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

the contract, and had received compensation for these holidays through paid time off, and if applicable, with overtime compensation. The combined total of holiday pay received on the first pay in June and December to these 3 employees totaled \$24,499.

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)

On April 5, 2007, in response to the exception noted, the Mayor enacted Executive Order 2007-01 and 2007-02. Order 2007-01, granted the Police Chief, Deputy Chief, and Major all the benefits, policies and procedures as outlined in the F.O.P. contract and outlined specific policies and procedures to be followed by these individuals concerning holiday pay. Order 2007-02, granted the Fire Chief, and Deputy Fire Chiefs all the benefits, policies and procedures as outlined in the New Albany Professional Firefighters Union labor contract and outlined specific policies and procedures to be followed concerning holiday pay, vacation pay, personal days, and compensatory time off for these employees.

SERVICE AND TIME RECORDS

During the review of payroll records we noted that bi-weekly payments were made to a part-time employee without time and attendance records being presented prior to payment. Time and attendance records for the payroll periods covering May 22, 2006 through December 29, 2006, were not submitted to officials for their review until December 28, 2006. 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 prior to payments being made when in fact they had not been presented for their review.

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)

PERSONAL USE OF CITY OWNED VEHICLES AND CELL PHONES

City owned vehicles were furnished to 10 employees to be used for City business and to drive to and from work. The vehicles used were not considered "qualified non-personal use vehicles" as defined by the Internal Revenue Service. The use of these vehicles to commute to and from work is considered personal use and is a taxable fringe benefit. No records were maintained by any of the employees of the personal mileage driven and the taxable fringe benefit was not reported on their W-2.

City owned cell phones were furnished to 62 employees to be used for City business. The City does not have a written policy concerning the personal use of city-owned cell phones and records are not maintained that distinguishes between business use and personal use. Personal use of City owned cell phones is considered a taxable fringe benefit and is to be reported on the employee's W-2's.

Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone, or vehicle, a log should be maintained which clearly shows the business use. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT ISSUANCE

In some instances, General Receipts (Form 352) were not issued by the Park and Recreation Department.

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)

CONCESSION RECEIPTS

The Park and Recreation Department operates a concession stand at the Camille Wright Aquatic and Recreational Center. Collections of daily concession sales were not being reconciled to the daily cash register totals. On several occasions we noted that the amount deposited did not agree with the daily cash register total. Park officials were unable to provide an explanation for why the deposits did not agree with the cash register totals.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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."

CEMETERY FEES

Fees charged for services by the Cemetery Department did not agree with the approved fee schedule as authorized in ordinance A-04-73.

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TRAVEL CLAIMS

In some instances employees were reimbursed 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)

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)

RIGHT TO USE AGREEMENT - SANITATION EQUIPMENT AND FACILITIES

On December 13, 2005, the City entered into a contract with Clark-Floyd Landfill, LLC. & Eco Tech, LLC for the collection and disposal of residential solid waste and to recycle recyclables for the City. The contract had a commencement date of January 1, 2006, and required the contractor to provide and maintain all equipment necessary for the collection of residential solid waste and residential recycling. However, on the commencement date of the contract, the city actually provided to the contractor the use of City owned sanitation trucks, equipment, and the use of a City owned structure. There was no agreement authorizing the use of the City owned property until a "Right to Use Agreement" was entered into with the contractor on May 23, 2006. This agreement authorized the contractor to use the City owned property in exchange for the contractor paying the City the sum of \$154,700 which is to be paid in 12 equal installments of \$12,891.67 beginning in May 2006.

The City did not first seek request for proposals from other contractors for the private use of the City equipment and facility or hold a public hearing prior to entering into this agreement. Minutes from the Board of Works and Safety did not contain any information concerning the approval or awarding of the agreement.

Indiana Code 5-23-5-1 states: "Any public-private agreement contemplated by this chapter must require the governmental body to request proposals under this chapter before entering into the public-private agreement."

Indiana Code 5-23-5-9 states in part: "If a recommendation to award the public-private agreement is made to the board, the board shall schedule a public hearing on the recommendation and publish notice of the hearing. . ."

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-23-5-11 states: "After the procedures required in this chapter have been completed, the board shall make a determination as to the most appropriate response to the request for proposal and may award the public-private agreement to the successful offeror or offerors."

SEWAGE DISPOSAL, SANITATION, AND STORM WATER CHARGES

Since 1998, the Wastewater Utility (Utility) has contracted with Indiana American Water, Inc., (IAWC) to perform the billings and collections of all the Utility's sewage and sanitation charges. IAWC also began billings and collections of all city "residential" storm water charges which were implemented in 2006. Starting January 1, 2006, the Utility took over billings and collections of all sewage and sanitation accounts in the Route 22 area (approximately 3000 accounts) which had been previously handled by IAWC. The Utility also began billings and collections for the city's "commercial" storm water charges which were implemented in 2006.

The City has ordinances G-06-29, A-01-47, G-06-21, and G-80-840, setting the rates to be charged for sewage disposal, sanitation charges, storm water charges and penalties for late payments, respectively. We noted the following exceptions as they pertain to the accounts maintained by IAWC (IAWC accounts) and accounts maintained by the Utility (in-house accounts):

Sewage Disposal Charges

1. Some customers that should be billed for sewage disposal are not being billed (IAWC accounts).
2. Some customers are being charged more than the approved rates (in-house accounts).
3. A 10% late penalty was not always assessed (in-house accounts).

Sanitation Charges

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

Storm Water Charges

1. Some customers that are required to be billed for storm water are not being billed (IAWC accounts).
2. A 10% late penalty is not being assessed (IAWC accounts).
3. A 10% late penalty was not always assessed (in-house accounts).

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)

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

BOND ORDINANCES

Revenue Bond Ordinance G-02-17, as amended by Ordinance G-06-30, which governs the 2002 Sewage Works Revenue Bonds (2002 SRF Loan) and Ordinance G-06-31, which governs the 2006 Sewage Works Revenue Bonds (2006 SRF Loan), require monthly transfers to be made to the Bond and Interest Account and for the monies to be held in trust by the Bank of New York Trust Company (BNYTC). These monthly transfers are required to ensure that sufficient amounts are available to pay principal and interest payments when they come due. The ordinances also require that certain amounts be paid into a Debt Service Reserve Account and be held in trust by BNYTC to be used as a margin of safety and protection against default.

Monthly transfers were not made to the Bond and Interest Account during the audit period and as a result the Bond and Interest Account maintained in trust by BNYTC was underfunded by \$579,530. The Debt Service Reserve requirement for the 2002 Sewage Works Revenue Bonds was fully funded during 2006 and properly held in trust with BNYTC. The Debt Service Reserve Account for the 2006 Sewage Works Revenue Bonds was underfunded by \$1,774.

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)

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. 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 reflects 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)

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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 46204-2769

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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, 2006. 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.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

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)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with 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. We noted no matters involving the internal control over compliance 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

April 9, 2007

CITY OF NEW ALBANY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2006

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 FY04	14.218	B-04-MC-18-0018	\$ <u>568,530</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Pass-Through Indiana Department of Natural Resources National Register of Historic Places	15.914	HPF 18-05-21517-3	<u>4,000</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Local Law Enforcement Block Grant Program	16.592	2004-LB-BX-1583	<u>9,083</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 FY06	20.601	PT-06-04-07-11	25,025
FY07		PT-07-04-01-53	<u>3,382</u>
Total for Program			<u>28,407</u>
Safety Incentive Grants for Use of Seatbelts FY06	20.604	PT-10-10-07	<u>2,000</u>
Total for Federal Grantor Agency			<u>30,407</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Direct Grant			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF965582-01-0	<u>2,947</u>
Pass-Through Indiana Department of Environmental Management			
Capitalization Grants for Clean Water State Revolving Funds	66.458		
State Revolving Loan - 2002		CS 18233601	28,476
State Revolving Loan - 2006		CS 18233602	<u>563,840</u>
Total for Program			<u>592,316</u>
Total for Federal Grantor Agency			<u>595,263</u>
Total Federal Awards Expended			<u>\$ 1,207,283</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, 2006:

Program Title	Federal CFDA Number	2006
Community Development Block Grants/Entitlement Grants	14.218	
New Directions Housing Corporation		\$ 106,985
Community Housing Development Corporation		137,311

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants
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.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.



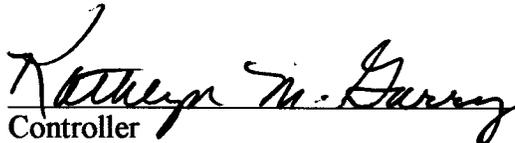
City of New Albany

Kathlyn M. Garry
City Controller

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2005-1: EQUIPMENT AND REAL PROPERTY MANAGEMENT

Original SBA Audit Report Number	B27679
Fiscal Year	2006
Auditee Contact Person	Mrs. Kathlyn M. Garry
Title of Contact Person	Controller
Phone Number	(812)958-5333
Status of Finding	On-going. The City is continuing its in-house work to compile adequate capital asset records. The continuing possibility of hiring an outside firm to compile listings of all city and utility owned capital assets will be looked at when and if funding is available.


Controller

3-21-07
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 April 19, 2007, with Kathlyn M. Garry, Controller; James E. Garner, Mayor; Larry Kochert, President of the Common Council; and Shane L. Gibson, City Attorney.