

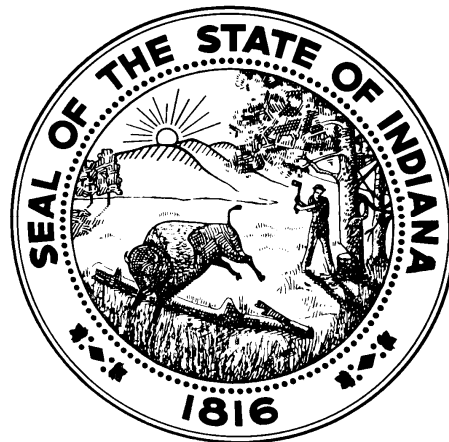
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2008

CITY OF NEW ALBANY

FLOYD COUNTY, INDIANA



FILED
10/26/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Kathlyn M. Garry	01-01-08 to 12-31-09
Mayor	Douglas B. England	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Matthew B. Dennison	01-01-08 to 05-12-08
	Carl E. Malysz	05-13-08 to 06-10-08
	Matthew B. Dennison	06-11-08 to 12-31-09
President of the Common Council	Jeff Gahan	01-01-08 to 12-31-08
	Dan J. Coffey	01-01-09 to 12-31-09
President of the Sewer Board	Ronald S. Carroll	01-01-08 to 07-23-09
	(Vacant)	07-24-09 to 08-12-09
	Douglas B. England	08-13-09 to 12-31-09



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, 2008, 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.

Except as discussed in paragraph three, 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.

We were unable to verify the accuracy of the cash and investment balances because monthly bank reconciliations were incomplete and variances between the reconciled balances and record balances were not always investigated or investigated timely so that the discrepancies could be identified and corrected in a timely manner. Financial records presented for audit were incomplete and did not include all of the financial transactions of the City. We identified some unrecorded financial transactions through the use of other source documents. Additionally, there were numerous journal entries posted to the financial records that were made without supporting documentation. Without supporting documentation we were not always able to determine the correctness and validity of these transactions.

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, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding cash reconciliations, unrecorded transactions, and supporting documentation for journal entries, 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, 2008, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

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

In accordance with Government Auditing Standards, we have also issued a report dated September 29, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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.

The Schedules of Funding Progress, Schedules 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.

The City provides postemployment health insurance benefits to eligible retirees. The City has not provided an actuarial study to determine the City's annual postemployment benefit costs in accordance with GASB Statement 45.

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 required parts 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, except as described in paragraph three above, 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

September 29, 2009



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS 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 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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 29, 2009. The opinions to the financial statements were qualified due to inadequate cash reconcilements, financial transactions not being recorded in the records, and for the lack of supporting documentation for journal entries posted to the records. Except as described in the Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2008-2 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2008-2 to be a material weakness.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2008-1.

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response and Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, the Common Council, 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

September 29, 2009

CITY OF NEW ALBANY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2008

Functions/Programs	Program Receipts				Net (Disbursement) Receipt Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 7,281,271	\$ 447,345	\$ 177,392	\$ -	\$ (6,656,534)	\$ -	\$ (6,656,534)
Public safety	16,320,966	2,419,912	17,156	-	(13,883,898)	-	(13,883,898)
Highways and streets	2,101,983	-	1,059,177	560,350	(482,456)	-	(482,456)
Health and welfare	563,021	57,438	39,854	-	(465,729)	-	(465,729)
Economic development	6,487,734	-	-	1,076,746	(5,410,988)	-	(5,410,988)
Culture and recreation	1,588,506	439,006	-	-	(1,149,500)	-	(1,149,500)
Urban redevelopment and housing	1,147,529	-	-	-	(1,147,529)	-	(1,147,529)
Principal and interest on indebtedness	3,393,818	-	-	-	(3,393,818)	-	(3,393,818)
Total governmental activities	<u>38,884,828</u>	<u>3,363,701</u>	<u>1,293,579</u>	<u>1,637,096</u>	<u>(32,590,452)</u>	<u>-</u>	<u>(32,590,452)</u>
Business-type activities:							
Wastewater Utility	16,111,147	12,264,371	-	-	-	(3,846,776)	(3,846,776)
Total primary government	<u>\$ 54,995,975</u>	<u>\$ 15,628,072</u>	<u>\$ 1,293,579</u>	<u>\$ 1,637,096</u>	<u>(32,590,452)</u>	<u>(3,846,776)</u>	<u>(36,437,228)</u>
General receipts:							
Property taxes					8,339,933	-	8,339,933
Intergovernmental					10,046,668	-	10,046,668
Other local sources					4,259,168	102,023	4,361,191
Net proceeds from borrowings					8,593,857	-	8,593,857
Grants and contributions not restricted to specific programs					1,057,673	-	1,057,673
Investment earnings					263,948	124,047	387,995
Transfers					(703,809)	703,809	-
Total general receipts and transfers					<u>31,857,438</u>	<u>929,879</u>	<u>32,787,317</u>
Change in net assets					(733,014)	(2,916,897)	(3,649,911)
Net assets - beginning					<u>19,511,365</u>	<u>5,925,952</u>	<u>25,437,317</u>
Net assets - ending					<u>\$ 18,778,351</u>	<u>\$ 3,009,055</u>	<u>\$ 21,787,406</u>
Assets							
Cash and investments					\$ 12,876,182	\$ (378,779)	\$ 12,497,403
Restricted assets:							
Cash and investments					5,902,169	599,205	6,501,374
Cash with fiscal agent					-	2,788,629	2,788,629
Total assets					<u>\$ 18,778,351</u>	<u>\$ 3,009,055</u>	<u>\$ 21,787,406</u>
Net Assets							
Restricted for:							
Highways and streets					\$ 298,610	\$ -	\$ 298,610
Culture and recreation					149,092	-	149,092
Debt service					976,092	3,321,636	4,297,728
Capital outlay					4,444,438	66,198	4,510,636
Other purpose					33,937	-	33,937
Unrestricted					<u>12,876,182</u>	<u>(378,779)</u>	<u>12,497,403</u>
Total net assets					<u>\$ 18,778,351</u>	<u>\$ 3,009,055</u>	<u>\$ 21,787,406</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, 2008

	General	Riverboat Income Nonreverting	TIF Bond Grantline Road	TIF Allocation	Economic Development Income Tax	Other Governmental Funds	Totals
Receipts:							
Taxes	\$ 7,369,380	\$ -	\$ -	\$ -	\$ -	\$ 1,072,990	\$ 8,442,370
Licenses and permits	260,575	-	-	-	-	56,745	317,320
Intergovernmental	5,596,145	874,893	-	-	2,731,465	3,786,689	12,989,192
Charges for services	369,387	-	-	-	-	2,528,577	2,897,964
Fines and forfeits	475	-	-	-	-	147,942	148,417
Interfund loans	4,500,000	-	-	3,000,000	-	-	7,500,000
Other	104,212	37,760	90,054	1,015,914	50,486	3,335,525	4,633,951
Total receipts	18,200,174	912,653	90,054	4,015,914	2,781,951	10,928,468	36,929,214
Disbursements:							
General government	1,120,379	-	-	-	-	3,684,362	4,804,741
Public safety	15,325,665	-	-	-	-	740,915	16,066,580
Highways and streets	-	-	-	-	-	1,373,544	1,373,544
Health and welfare	563,021	-	-	-	-	-	563,021
Economic development	-	-	-	-	990,900	-	990,900
Culture and recreation	-	-	-	-	-	1,454,144	1,454,144
Urban redevelopment and housing	-	-	-	-	-	192,138	192,138
Interfund loans	3,000,000	-	-	4,500,000	-	-	7,500,000
Debt service:							
Principal	-	-	-	930,000	78,040	1,761,019	2,769,059
Interest	-	-	-	54,825	-	569,934	624,759
Capital outlay:							
General government	-	603,307	-	-	-	1,035,066	1,638,373
Public safety	-	-	-	-	-	254,386	254,386
Highways and streets	-	-	-	-	-	728,439	728,439
Economic development	-	-	1,205,092	88,569	944,992	3,258,181	5,496,834
Culture and recreation	-	-	-	-	-	134,362	134,362
Urban redevelopment and housing	-	-	-	-	-	955,391	955,391
Total disbursements	20,009,065	603,307	1,205,092	5,573,394	2,013,932	16,141,881	45,546,671
Excess (deficiency) of receipts over disbursements	(1,808,891)	309,346	(1,115,038)	(1,557,480)	768,019	(5,213,413)	(8,617,457)
Other financing sources (uses):							
Net proceeds from borrowings	-	-	6,473,500	-	-	2,120,357	8,593,857
Transfers in	-	41,191	-	-	-	1,145,003	1,186,194
Transfers out	(81,000)	-	(533,016)	-	(775,000)	(500,987)	(1,890,003)
Total other financing sources (uses)	(81,000)	41,191	5,940,484	-	(775,000)	2,764,373	7,890,048

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, 2008
(Continued)

	General	Riverboat Income Nonreverting	TIF Bond Grantline Road	TIF Allocation	Economic Development Income Tax	Other Governmental Funds	Totals
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,889,891)	350,537	4,825,446	(1,557,480)	(6,981)	(2,449,040)	(727,409)
Cash and investment fund balance - beginning	<u>(2,218,707)</u>	<u>1,523,888</u>	<u>1,634,801</u>	<u>4,228,378</u>	<u>3,578,913</u>	<u>10,724,550</u>	<u>19,471,823</u>
Cash and investment fund balance - ending	<u>\$ (4,108,598)</u>	<u>\$ 1,874,425</u>	<u>\$ 6,460,247</u>	<u>\$ 2,670,898</u>	<u>\$ 3,571,932</u>	<u>\$ 8,275,510</u>	<u>18,744,414</u>
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because: Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.							<u>33,937</u>
Net assets of governmental activities							<u>\$ 18,778,351</u>
<u>Cash and Investment Assets - ending</u>							
Cash and investments	\$ (4,108,598)	\$ 1,874,425	\$ 6,460,247	\$ 2,670,898	\$ -	\$ 5,979,210	\$ 12,876,182
Restricted assets:							
Cash and investments	-	-	-	-	3,571,932	2,296,300	5,868,232
Total cash and investment assets - ending	<u>\$ (4,108,598)</u>	<u>\$ 1,874,425</u>	<u>\$ 6,460,247</u>	<u>\$ 2,670,898</u>	<u>\$ 3,571,932</u>	<u>\$ 8,275,510</u>	<u>\$ 18,744,414</u>
<u>Cash and Investment Fund Balance - ending</u>							
Restricted for:							
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 298,610	\$ 298,610
Culture and recreation	-	-	-	-	-	149,092	149,092
Debt service	-	-	-	-	-	976,092	976,092
Capital outlay	-	-	-	-	3,571,932	872,506	4,444,438
Unrestricted	<u>(4,108,598)</u>	<u>1,874,425</u>	<u>6,460,247</u>	<u>2,670,898</u>	<u>-</u>	<u>5,979,210</u>	<u>12,876,182</u>
Total cash and investment fund balance - ending	<u>\$ (4,108,598)</u>	<u>\$ 1,874,425</u>	<u>\$ 6,460,247</u>	<u>\$ 2,670,898</u>	<u>\$ 3,571,932</u>	<u>\$ 8,275,510</u>	<u>\$ 18,744,414</u>

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

CITY OF NEW ALBANY
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For The Year Ended December 31, 2008

	Wastewater Utility	Internal Service Funds
Operating receipts:		
Metered/measured	\$ 9,487,911	\$ -
Sanitation revenues	2,092,545	-
Other sanitation revenue	92,200	-
Other wastewater revenue	591,715	-
Insurance proceeds	-	832,552
	<u>12,264,371</u>	<u>832,552</u>
Total operating receipts		
Operating disbursements:		
Insurance claims and expense	-	838,157
Equipment and capital improvements	3,958,033	-
Administration and general	435,834	-
Sanitation - operations and maintenance	2,284,798	-
Treatment and disposal	4,717,777	-
	<u>11,396,442</u>	<u>838,157</u>
Total operating disbursements		
Excess (deficiency) of operating receipts over operating disbursements	<u>867,929</u>	<u>(5,605)</u>
Nonoperating receipts (disbursements):		
Investment income	124,047	-
Refunds	102,023	-
Debt service of principal	(2,662,321)	-
Interest disbursements	(2,052,384)	-
	<u>(4,488,635)</u>	<u>-</u>
Total nonoperating receipts (disbursements)		
Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	(3,620,706)	(5,605)
Transfers in	775,000	-
Transfers out	(71,191)	-
	<u>703,809</u>	<u>-</u>
Deficiency of receipts and transfers in over disbursements and transfers out	(2,916,897)	(5,605)
Cash and investment fund balance - beginning	<u>5,925,952</u>	<u>39,542</u>
Cash and investment fund balance - ending	<u>\$ 3,009,055</u>	<u>\$ 33,937</u>
<u>Cash and Investment Assets - December 31</u>		
Cash and investments	\$ (378,779)	\$ -
Restricted assets:		
Cash and investments	599,205	33,937
Cash with fiscal agent	2,788,629	-
	<u>3,009,055</u>	<u>33,937</u>
Total cash and investment assets - December 31	<u>\$ 3,009,055</u>	<u>\$ 33,937</u>
<u>Cash and Investment Fund Balance - December 31</u>		
Restricted for:		
Debt service	\$ 3,321,636	\$ -
Capital outlay	66,198	-
Other purpose	-	33,937
Unrestricted	(378,779)	-
	<u>3,009,055</u>	<u>33,937</u>
Total cash and investment fund balance - December 31	<u>\$ 3,009,055</u>	<u>\$ 33,937</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, 2008

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Fund
Additions:			
Contributions:			
Employer	\$ 645,521	\$ -	
Plan members	8,770	-	
State	1,090,267	-	
Other	-	3,800	
	1,744,558	3,800	
Total contributions			
	1,744,558	3,800	
Investment earnings:			
Interest	-	4,356	
	-	4,356	
Total additions			
	1,744,558	8,156	
Deductions:			
Benefits	4,880,672	-	
Administrative and general	884	6,100	
	4,881,556	6,100	
Total deductions			
	4,881,556	6,100	
Excess (deficiency) of total additions over total deductions			
	(3,136,998)	2,056	
Cash and investment fund balance - beginning			
	3,003,943	225,759	
Cash and investment fund balance - ending			
	\$ (133,055)	\$ 227,815	\$ 774,323

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, 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 the 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, 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 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 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 the City's other funds may be used.

The riverboat income nonreverting fund accounts for the City's portion of revenue sharing of gaming receipts and can be used for any lawful purpose for which money in any of the City's other funds may be used.

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.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. Due to assessment delays, property taxes during the audit period were not billed and collected timely by the County Treasurer and available for distributions to the City in June and December. As of December 31, 2008, the City had received \$8,750,662. Additional property taxes in the amount \$7,201,584 which normally would have been received during the audit period were not received until 2009.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. 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.

4. 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.

5. 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."

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 and the similar discretely presented component unit 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.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

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

Government-Wide Financial Statements

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

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

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2008, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2008
General	\$ 1,294,292
Motor Vehicle Highway	300,745
Storm Water	1,575,556
Communications Nonreverting	65,000
Street Maintenance and Parking Meter	2,882
Fire Contract Runs	78,092
Total	\$ 3,316,567

These disbursements were funded by unappropriated available cash balances.

C. Cash and Investment Balance Deficits

At December 31, 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2008
General	\$ 4,108,598
Motor Vehicle Highway	114,951
Park and Recreation	208,008
TIF Park East Industrial	861,623
Redevelopment BAN Charlestown Road	1,230
Fire Pension	596,125

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

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

III. Detailed Notes on All Funds

A. Deposits 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 City does not have a deposit policy for custodial credit risk. At December 31, 2008, the City had deposit balances in the amount of \$26,031,633.

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

As of December 31, 2008, the City had the following investments:

<u>Investment Type</u>	<u>Market Value</u>
Mutual funds	<u><u>\$ 2,788,629</u></u>

Statutory Authorization for Investments

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 City 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.

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.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the City'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.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, were as follows:

Transfer From	Transfer To	2008
General Fund	Other governmental funds	\$ 81,000
Economic Development Income Tax Fund	Wastewater Utility Fund	775,000
TIF Bond Grantline Road	Other governmental funds	533,016
Wastewater Utility Fund	Riverboat Income Nonreverting	41,191
Wastewater Utility Fund	Other governmental funds	30,000
Other governmental funds	Other governmental funds	500,987
Total		<u>\$ 1,961,194</u>

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

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 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.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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 of \$228,705 for the first year of the agreement and an adjusted amount annually for subsequent years.

On July 3, 2007, the City entered into a new contract with Environmental Management Corporation (EMC). The term of the new contract is from July 1, 2007 through December 31, 2010, with an automatic renewal for an additional two years through December 31, 2012. The contract calls for the City to make monthly compensation payments to EMC in the amount of \$308,000 through December 31, 2007. Beginning January 1, 2008, the contract requires the City to compensate EMC in the amount of \$277,083 per month for an annual compensation of \$3,325,000 with possible adjustments. The contract provides for the annual compensation to be negotiated each year. Monthly payments due in 2008 totaled \$3,394,751. 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 of the City.

Storm Water System

On November 3, 2006, and as later amended on May 31, 2007, the City contracted with Environmental Management Corporation (EMC) to manage the operation and maintenance of its storm water system. This contract was for the period of November 3, 2006 to June 30, 2007, and was later amended to extend the term through June 30, 2008. However, a new contract was entered into on July 20, 2007, and was to expire on December 31, 2010. This agreement was to automatically renew for an additional two years through December 31, 2012. For the first 12 month period of the agreement, the City provided monthly installments of \$42,250 and an adjusted amount annually for subsequent years. Monthly payments due in 2008 totaled \$517,119. Under the terms of the contract, EMC was responsible for paying expenses required for normal operation and maintenance of the storm water system, except for individual repair and maintenance items which cost in excess of \$2,000.

On November 13, 2008, an amendment was signed by both parties stating: "In consideration of Owner's single lump sum payment to EMC no later than November 30, 2008 in the amount of Two Hundred Thousand Dollars (\$200,000) and Owner's continuation of paying the EMC Compensation through December 31, 2008 the Parties agree to allow the Agreement and the responsibilities/obligations of both Parties therein to expire on December 31, 2008." Payment of \$200,000 was made by the City to EMC on November 24, 2008, and the City continued paying EMC compensation through December 31, 2008.

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.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 capacity assurance projects are currently in various stages and estimated to cost several million dollars.

On April 14, 2006, modification to the 2002 Amended Consent Decree was entered into by the City and the United States. The modifications are to the terms of the demonstration period during which the City is to document the performance of its sewer system to support termination of the amended decree, and to the calculation of reductions in rainfall induced infiltration required to be added to the system. Under the agreed modifications, following the completion of all capacity assurance projects included in the EPA-approved Capacity Assurance Plan, the City shall demonstrate that capacity-related bypasses and overflows have been eliminated. The period for demonstrating elimination of capacity related bypasses and overflows commenced January 5, 2007. The demonstration period shall be deemed to have been satisfactorily completed upon the later of the following:

1. Two years following the commencement date (i.e., January 6, 2009), with no capacity related bypasses and overflows in the collection system or treatment plant during the demonstration period: or,
2. Satisfactory completion and approval of the I/I repair work under Appendix D of the Capacity Assurance Plan with no capacity related bypasses and overflows in the collection system or treatment plant during the demonstration period.

The modifications include the procedures to be followed in the calculation of I/I removed from the system and the calculation of credits to be issued for reduction in I/I removed. Additionally, it is agreed that the City shall not permit any new industrial, commercial, or residential development that would have the effect of adding at any particular connection point flow equal or exceeding 50 houses or 15,500 gpd at full build out or in the aggregate unless the City first receives approval from U.S. EPA.

During the demonstration period, the City experienced capacity related overflows. As a result thereof, in January, 2009, the City filed with the U.S. EPA a revised capacity assurance plan which requires additional I/I removal, flow monitoring and data reporting with lift station studies and possible lift station upgrades. Upon completion of the studies, the City plans to meet with the EPA to discuss and finalize a plan of action. Upon the completion of that plan, as approved by the EPA, the City will have a one year demonstration period for demonstrating the elimination of capacity related bypasses and overflows.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Southeast, and placement of a bronze statue at Clark-Floyd Counties Convention and Tourism Bureau's administrative offices. Through a "Pledge Agreement," the Clark-Floyd Counties Convention and Tourism Bureau has agreed to set aside sufficient revenues each year to pay the principal and interest amounts due on these bonds. Although the structures and improvements funded with the bond proceeds are considered capital assets of the City, the City is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as debt on the Schedule of Long-Term Debt.

As of December 31, 2008, the Capital Development Tourism Fund Revenue Bonds had an outstanding aggregate principal payable of \$425,760.

Economic Development Commission, Industrial Revenue Bonds

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

As of December 31, 2008, there were eight series of Economic Development Revenue Bonds outstanding, one series of Indiana Hospital Facilities Revenue Bonds outstanding, and one series of Multi-Family Housing Mortgage Revenue Bonds outstanding. The aggregate principal amount payable for five series issued after July 1, 1995, was \$25,834,951. The aggregate principal amount payable for the four series issued prior to July 1, 1995, could not be determined; however, their original issued amount totaled \$13,200,000.

E. Subsequent Events

Beginning in 2009, the State Pension Relief Fund shall pay to each unit of local government with Pre-1977 Local Police and Fire Fighter Pension obligations, the total amount of pension, disability, and survivor benefit payments. The Pre-1977 funds include the 1925 Police Pension Fund, the 1937 Firefighters' Fund, and the 1953 Police Pension Fund. For property taxes due and payable after December 31, 2008, the Indiana Department of Local Government Finance shall reduce the maximum permissible property tax levy of any civil taxing unit and special service district by the amount of the payment to be made in 2009 by the State for the obligations.

CITY OF NEW ALBANY
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

F. Summary Judgment

On November 11, 2008, a summary judgment against the City, in the amount of \$300,000 plus interest, was ordered by the Circuit Court of Floyd County in the case of Fox, Cotner, and Gustafson C.V. the City of New Albany. The suit arose from a contract dispute over the calculation of legal fees owed to the plaintiffs for legal services provided by them on behalf of the New Albany Sewage Utility. The City has appealed the decision to the Indiana Court of Appeals. As of August 25, 2009, there has not been a ruling on the appeal.

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

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

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 amounts of \$114,250 to \$116,750 during the years 2009 to 2022, which are to be used toward the annual lease payments.

2006 Sewage Works Refunding Revenue Bonds Pledge

Revenue Bond Ordinance No. 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. Rate Structure – Enterprise Fund

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-08-34	10-06-08
Storm water	G-06-21	06-05-06

I. 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, 91 retirees meet these eligibility requirements. The City provides a maximum of \$1,184 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, 2008, disbursements of \$609,689 were recognized for postemployment benefits.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Annual required contribution	\$ 127,665	\$ 1,591,600	\$ 2,430,100
Interest on net pension obligation	(26,827)	822,800	1,069,600
Adjustment to annual required contribution	<u>30,572</u>	<u>(1,038,200)</u>	<u>(1,349,500)</u>
Annual pension cost	131,410	1,376,200	2,150,200
Contributions made	<u>99,054</u>	<u>813,816</u>	<u>921,972</u>
Increase in net pension obligation	32,356	562,384	1,228,228
Net pension obligation, beginning of year	<u>(370,029)</u>	<u>13,714,089</u>	<u>17,826,902</u>
Net pension obligation, end of year	<u>\$ (337,673)</u>	<u>\$ 14,276,473</u>	<u>\$ 19,055,130</u>

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	3%	310%	460%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-08	01-01-09	01-01-09
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed 30 years	Level percentage of projected payroll, closed 30 years	Level percentage of projected payroll, closed 30 years
Amortization period	30 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	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75/4%*	2.75/4%*

*2.75% converted members; 4% nonconverted members

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 98,729	102%	\$ (429,199)
	06-30-07	150,768	61%	(370,029)
	06-30-08	131,410	75%	(337,673)
1925 Police Officers' Pension Plan	12-31-06	1,811,000	112%	14,814,206
	12-31-07	1,632,000	173%	13,714,089
	12-31-08	1,376,200	59%	14,276,473
1937 Firefighters' Pension Plan	12-31-06	2,748,800	71%	18,725,079
	12-31-07	2,469,200	139%	17,826,902
	12-31-08	2,150,200	43%	19,055,130

CITY OF NEW ALBANY
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2008, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retirees and beneficiaries currently receiving benefits	56	74
Current active employees	2	5

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:

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, 2008, 2007, and 2006, were \$1,490,692, \$1,275,530, and \$1,179,038, 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)
07-01-06	\$ 5,100,466	\$ 4,327,934	\$ 772,532	118%	\$ 3,487,604	22%
07-01-07	5,467,925	4,526,335	941,590	121%	3,315,392	28%
07-01-08	5,646,626	4,667,617	979,009	121%	3,152,181	31%

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)
01-01-03	\$ 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%)
01-01-06	730,470	23,583,900	(22,853,430)	3%	697,500	(3,276%)
01-01-07	794,081	21,657,800	(20,863,719)	4%	548,100	(3,807%)
01-01-08	1,762,567	19,833,600	(18,071,033)	9%	513,200	(3,521%)

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)
01-01-03	\$ 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%)
01-01-06	487,563	36,405,000	(35,917,437)	1%	896,800	(4,005%)
01-01-07	560,722	33,396,600	(32,835,878)	2%	697,500	(4,708%)
01-01-08	1,241,376	31,248,700	(30,007,324)	4%	528,600	(5,677%)

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	12-31-03	\$ 3,240,700	5%	25%
	12-31-04	3,338,700	24%	31%
	12-31-05	2,161,300	29%	47%
	12-31-06	1,867,700	27%	73%
	12-31-07	1,719,200	27%	124%
	12-31-08	1,591,600	24%	27%
1937 Firefighters' Pension Plan	12-31-03	4,329,800	0%	29%
	12-31-04	4,451,500	16%	34%
	12-31-05	2,641,200	0%	55%
	12-31-06	2,833,500	17%	48%
	12-31-07	2,600,000	16%	108%
	12-31-08	2,430,100	11%	27%

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, 2008

	Motor Vehicle Highway	Local Road And Street	Park Nonreverting Operating	Donations	Street Maintenance and Parking Meter	Abandoned Vehicles	Local Law Grant
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	1,204	-	-
Intergovernmental	1,059,177	560,350	-	-	-	-	66,601
Charges for services	-	-	392,105	-	-	-	-
Fines and forfeits	-	-	-	-	112,100	15,890	-
Other	1,074	125,556	-	30,824	12,653	29,473	-
Total receipts	1,060,251	685,906	392,105	30,824	125,957	45,363	66,601
Disbursements:							
General government	-	-	-	21,978	-	-	-
Public safety	-	-	-	-	-	34,141	-
Highways and streets	1,073,877	201,170	-	-	81,461	-	-
Culture and recreation	-	-	324,437	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	22,697	-
Highways and streets	-	728,439	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	1,073,877	929,609	324,437	21,978	81,461	56,838	-
Excess (deficiency) of receipts over disbursements	(13,626)	(243,703)	67,668	8,846	44,496	(11,475)	66,601
Other financing sources (uses):							
Net proceeds from borrowings	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	(15,000)	-	-	-	-	-	-
Total other financing sources (uses)	(15,000)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(28,626)	(243,703)	67,668	8,846	44,496	(11,475)	66,601
Cash and investment fund balance - beginning	(86,325)	542,313	81,424	76,816	3,987	21,542	10
Cash and investment fund balance - ending	<u>\$ (114,951)</u>	<u>\$ 298,610</u>	<u>\$ 149,092</u>	<u>\$ 85,662</u>	<u>\$ 48,483</u>	<u>\$ 10,067</u>	<u>\$ 66,611</u>
Cash and Investment Assets - ending							
Cash and investments	\$ (114,951)	\$ -	\$ -	\$ 85,662	\$ 48,483	\$ 10,067	\$ 66,611
Restricted assets:							
Cash and investments	-	298,610	149,092	-	-	-	-
Total cash and investment assets - ending	<u>\$ (114,951)</u>	<u>\$ 298,610</u>	<u>\$ 149,092</u>	<u>\$ 85,662</u>	<u>\$ 48,483</u>	<u>\$ 10,067</u>	<u>\$ 66,611</u>
Cash and Investment Fund Balance - ending							
Restricted for:							
Highways and streets	\$ -	\$ 298,610	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	149,092	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	(114,951)	-	-	85,662	48,483	10,067	66,611
Total cash and investment fund balance - ending	<u>\$ (114,951)</u>	<u>\$ 298,610</u>	<u>\$ 149,092</u>	<u>\$ 85,662</u>	<u>\$ 48,483</u>	<u>\$ 10,067</u>	<u>\$ 66,611</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, 2008
 (Continued)

	Law Enforcement Continuing Education	Unsafe Building	Drainage	Interest Federal Equity Share	Park and Recreation	EMS
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 774,066	\$ -
Licenses and permits	14,640	-	-	-	-	-
Intergovernmental	-	-	-	-	11,849	-
Charges for services	14,625	-	-	-	-	532,743
Fines and forfeits	-	6,835	-	1,474	-	-
Other	-	-	-	-	43,185	-
Total receipts	<u>29,265</u>	<u>6,835</u>	<u>-</u>	<u>1,474</u>	<u>829,100</u>	<u>532,743</u>
Disbursements:						
General government	-	-	-	-	-	-
Public safety	26,682	15,033	-	1,699	-	551,939
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	1,074,086	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	81,689
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	<u>26,682</u>	<u>15,033</u>	<u>-</u>	<u>1,699</u>	<u>1,074,086</u>	<u>633,628</u>
Excess (deficiency) of receipts over disbursements	<u>2,583</u>	<u>(8,198)</u>	<u>-</u>	<u>(225)</u>	<u>(244,986)</u>	<u>(100,885)</u>
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(15,000)	(15,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>2,583</u>	<u>(8,198)</u>	<u>-</u>	<u>(225)</u>	<u>(259,986)</u>	<u>(115,885)</u>
Cash and investment fund balance - beginning	<u>4,064</u>	<u>53,930</u>	<u>39,113</u>	<u>20,362</u>	<u>51,978</u>	<u>290,560</u>
Cash and investment fund balance - ending	<u>\$ 6,647</u>	<u>\$ 45,732</u>	<u>\$ 39,113</u>	<u>\$ 20,137</u>	<u>\$ (208,008)</u>	<u>\$ 174,675</u>
<u>Cash and Investment Assets - ending</u>						
Cash and investments	\$ 6,647	\$ 45,732	\$ 39,113	\$ 20,137	\$ (208,008)	\$ 174,675
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 6,647</u>	<u>\$ 45,732</u>	<u>\$ 39,113</u>	<u>\$ 20,137</u>	<u>\$ (208,008)</u>	<u>\$ 174,675</u>
<u>Cash and Investment Fund Balance - ending</u>						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	<u>6,647</u>	<u>45,732</u>	<u>39,113</u>	<u>20,137</u>	<u>(208,008)</u>	<u>174,675</u>
Total cash and investment fund balance - ending	<u>\$ 6,647</u>	<u>\$ 45,732</u>	<u>\$ 39,113</u>	<u>\$ 20,137</u>	<u>\$ (208,008)</u>	<u>\$ 174,675</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, 2008
 (Continued)

	Rainy Day	Redevelopment Tax Abatement	Communications Nonreverting	Community Promotions	Crimes Against Children	Farmers Market
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	413,043	-	150,000	-	-	-
Charges for services	-	12,000	-	-	-	-
Fines and forfeits	-	-	-	8,792	-	-
Other	-	-	-	-	-	-
Total receipts	413,043	12,000	150,000	8,792	-	-
Disbursements:						
General government	1,326,606	-	-	2,449	-	-
Public safety	-	-	55,599	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	3,368	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	150,000	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	1,326,606	3,368	205,599	2,449	-	-
Excess (deficiency) of receipts over disbursements	(913,563)	8,632	(55,599)	6,343	-	-
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(913,563)	8,632	(55,599)	6,343	-	-
Cash and investment fund balance - beginning	1,359,315	40,538	70,935	6,540	22	1,000
Cash and investment fund balance - ending	\$ 445,752	\$ 49,170	\$ 15,336	\$ 12,883	\$ 22	\$ 1,000
<u>Cash and Investment Assets - ending</u>						
Cash and investments	\$ 445,752	\$ 49,170	\$ 15,336	\$ 12,883	\$ 22	\$ 1,000
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 445,752	\$ 49,170	\$ 15,336	\$ 12,883	\$ 22	\$ 1,000
<u>Cash and Investment Fund Balance - ending</u>						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	445,752	49,170	15,336	12,883	22	1,000
Total cash and investment fund balance - ending	\$ 445,752	\$ 49,170	\$ 15,336	\$ 12,883	\$ 22	\$ 1,000

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, 2008
 (Continued)

	Fire Contract Runs	New Directions	Animal Control Nonreverting	Police Drug Fund	Redevelopment Home Improvement,	Reserve Liability Insurance
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,210
Licenses and permits	-	-	6,384	-	-	-
Intergovernmental	3,110	39,854	9,505	-	57,965	20,000
Charges for services	79,218	-	-	-	-	-
Fines and forfeits	-	-	2,851	-	-	-
Other	-	-	-	-	-	-
Total receipts	<u>82,328</u>	<u>39,854</u>	<u>18,740</u>	<u>-</u>	<u>57,965</u>	<u>42,210</u>
Disbursements:						
General government	-	-	-	-	-	120,747
Public safety	-	-	11,795	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	29,891	-	-	40,338	-
Debt service:						
Principal	154,781	-	-	-	-	-
Interest	22,461	-	-	-	-	-
Capital outlay:						
General government	60,850	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	<u>238,092</u>	<u>29,891</u>	<u>11,795</u>	<u>-</u>	<u>40,338</u>	<u>120,747</u>
Excess (deficiency) of receipts over disbursements	<u>(155,764)</u>	<u>9,963</u>	<u>6,945</u>	<u>-</u>	<u>17,627</u>	<u>(78,537)</u>
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	156,000
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,000</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(155,764)</u>	<u>9,963</u>	<u>6,945</u>	<u>-</u>	<u>17,627</u>	<u>77,463</u>
Cash and investment fund balance - beginning	<u>198,364</u>	<u>(9,766)</u>	<u>31,106</u>	<u>859</u>	<u>28,511</u>	<u>34,822</u>
Cash and investment fund balance - ending	<u>\$ 42,600</u>	<u>\$ 197</u>	<u>\$ 38,051</u>	<u>\$ 859</u>	<u>\$ 46,138</u>	<u>\$ 112,285</u>
<u>Cash and Investment Assets - ending</u>						
Cash and investments	\$ 42,600	\$ 197	\$ 38,051	\$ 859	\$ 46,138	\$ 112,285
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 42,600</u>	<u>\$ 197</u>	<u>\$ 38,051</u>	<u>\$ 859</u>	<u>\$ 46,138</u>	<u>\$ 112,285</u>
<u>Cash and Investment Fund Balance - ending</u>						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	<u>42,600</u>	<u>197</u>	<u>38,051</u>	<u>859</u>	<u>46,138</u>	<u>112,285</u>
Total cash and investment fund balance - ending	<u>\$ 42,600</u>	<u>\$ 197</u>	<u>\$ 38,051</u>	<u>\$ 859</u>	<u>\$ 46,138</u>	<u>\$ 112,285</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, 2008
 (Continued)

	State Street Garage Nonreverting	Storm Water	TIF Bond Park East	TIF Bond Spring Street Hill	TIF Park East Industrial	TIF State Street
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	34,517	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	1,369,694	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	37,938	180	19,681	600,000
Total receipts	34,517	1,369,694	37,938	180	19,681	600,000
Disbursements:						
General government	-	1,424,522	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	17,036	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	680,000	145,000
Interest	-	-	-	-	55,165	120,536
Capital outlay:						
General government	-	151,034	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	1,447,078	813,121	606,781
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	17,036	1,575,556	-	1,447,078	1,548,286	872,317
Excess (deficiency) of receipts over disbursements	17,481	(205,862)	37,938	(1,446,898)	(1,528,605)	(272,317)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	2,120,357	-	-
Transfers in	-	-	-	-	253,037	-
Transfers out	-	-	(253,037)	(202,950)	-	-
Total other financing sources (uses)	-	-	(253,037)	1,917,407	253,037	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	17,481	(205,862)	(215,099)	470,509	(1,275,568)	(272,317)
Cash and investment fund balance - beginning	83,320	292,019	215,099	-	413,945	1,315,072
Cash and investment fund balance - ending	\$ 100,801	\$ 86,157	\$ -	\$ 470,509	\$ (861,623)	\$ 1,042,755
Cash and Investment Assets - ending						
Cash and investments	\$ 100,801	\$ 86,157	\$ -	\$ 470,509	\$ (861,623)	\$ 1,042,755
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 100,801	\$ 86,157	\$ -	\$ 470,509	\$ (861,623)	\$ 1,042,755
Cash and Investment Fund Balance - ending						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	100,801	86,157	-	470,509	(861,623)	1,042,755
Total cash and investment fund balance - ending	\$ 100,801	\$ 86,157	\$ -	\$ 470,509	\$ (861,623)	\$ 1,042,755

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, 2008
 (Continued)

	TIF Garage	Tree Board Nonreverting	Veterinary Nonreverting	Walking Patrol	Parks Nonreverting Shelter House	City Redevelopment
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	1,018,781
Charges for services	-	-	40,199	-	10,797	41,092
Fines and forfeits	-	-	-	-	-	-
Other	633,181	-	-	48,925	-	7,022
Total receipts	633,181	-	40,199	48,925	10,797	1,066,895
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	24,033	19,994	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	12,659	-
Urban redevelopment and housing	-	-	-	-	-	118,541
Debt service:						
Principal	194,460	-	-	-	-	-
Interest	35,000	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	185,618	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	955,391
Total disbursements	415,078	-	24,033	19,994	12,659	1,073,932
Excess (deficiency) of receipts over disbursements	218,103	-	16,166	28,931	(1,862)	(7,037)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	218,103	-	16,166	28,931	(1,862)	(7,037)
Cash and investment fund balance - beginning	528,453	11,638	68,267	9,405	45,342	7,481
Cash and investment fund balance - ending	\$ 746,556	\$ 11,638	\$ 84,433	\$ 38,336	\$ 43,480	\$ 444
Cash and Investment Assets - ending						
Cash and investments	\$ 746,556	\$ 11,638	\$ 84,433	\$ 38,336	\$ 43,480	\$ 444
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 746,556	\$ 11,638	\$ 84,433	\$ 38,336	\$ 43,480	\$ 444
Cash and Investment Fund Balance - ending						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	746,556	11,638	84,433	38,336	43,480	444
Total cash and investment fund balance - ending	\$ 746,556	\$ 11,638	\$ 84,433	\$ 38,336	\$ 43,480	\$ 444

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, 2008
 (Continued)

	Riverfront Heritage	TIF Charlestown Road Debt Service	TIF Charlestown Road	Park Cumulative Building	Cumulative Capital Improvement	Caesar's Donation
Receipts:						
Taxes	\$ -	\$ -	\$ 173,069	\$ 103,645	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	9,486	122,287	244,681
Charges for services	-	-	-	36,104	-	-
Fines and forfeits	-	-	-	-	-	-
Other	46,965	5,840	13,663	27,831	338,998	1,305,058
Total receipts	46,965	5,840	186,732	177,066	461,285	1,549,739
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	42,962	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	195,000	-	-	391,778
Interest	-	-	74,836	-	-	261,936
Capital outlay:						
General government	-	-	-	-	249,412	573,770
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	174,169	-	-	-
Culture and recreation	-	-	-	134,362	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	42,962	-	444,005	134,362	249,412	1,227,484
Excess (deficiency) of receipts over disbursements	4,003	5,840	(257,273)	42,704	211,873	322,255
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,003	5,840	(257,273)	42,704	211,873	322,255
Cash and investment fund balance - beginning	-	234,260	1,129,779	213,865	362,490	990,470
Cash and investment fund balance - ending	\$ 4,003	\$ 240,100	\$ 872,506	\$ 256,569	\$ 574,363	\$ 1,312,725
Cash and Investment Assets - ending						
Cash and investments	\$ 4,003	\$ -	\$ -	\$ 256,569	\$ 574,363	\$ 1,312,725
Restricted assets:						
Cash and investments	-	240,100	872,506	-	-	-
Total cash and investment assets - ending	\$ 4,003	\$ 240,100	\$ 872,506	\$ 256,569	\$ 574,363	\$ 1,312,725
Cash and Investment Fund Balance - ending						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-
Debt service	-	240,100	-	-	-	-
Capital outlay	-	-	872,506	-	-	-
Unrestricted	4,003	-	-	256,569	574,363	1,312,725
Total cash and investment fund balance - ending	\$ 4,003	\$ 240,100	\$ 872,506	\$ 256,569	\$ 574,363	\$ 1,312,725

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, 2008
 (Continued)

	Redevelopment BAN Charlestown Road	TIF Bond Daisy Lane	TIF Grant Line Debt Service	TIF Spring Street Hill Debt Service	Tourism Bond	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,072,990
Licenses and permits	-	-	-	-	-	56,745
Intergovernmental	-	-	-	-	-	3,786,689
Charges for services	-	-	-	-	-	2,528,577
Fines and forfeits	-	-	-	-	-	147,942
Other	170	7,282	-	26	-	3,335,525
Total receipts	170	7,282	-	26	-	10,928,468
Disbursements:						
General government	-	788,060	-	-	-	3,684,362
Public safety	-	-	-	-	-	740,915
Highways and streets	-	-	-	-	-	1,373,544
Culture and recreation	-	-	-	-	-	1,454,144
Urban redevelopment and housing	-	-	-	-	-	192,138
Debt service:						
Principal	-	-	-	-	-	1,761,019
Interest	-	-	-	-	-	569,934
Capital outlay:						
General government	-	-	-	-	-	1,035,066
Public safety	-	-	-	-	-	254,386
Highways and streets	-	-	-	-	-	728,439
Economic development	-	-	-	-	31,414	3,258,181
Culture and recreation	-	-	-	-	-	134,362
Urban redevelopment and housing	-	-	-	-	-	955,391
Total disbursements	-	788,060	-	-	31,414	16,141,881
Excess (deficiency) of receipts over disbursements	170	(780,778)	-	26	(31,414)	(5,213,413)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	2,120,357
Transfers in	-	-	533,016	202,950	-	1,145,003
Transfers out	-	-	-	-	-	(500,987)
Total other financing sources (uses)	-	-	533,016	202,950	-	2,764,373
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	170	(780,778)	533,016	202,976	(31,414)	(2,449,040)
Cash and investment fund balance - beginning	(1,400)	1,721,217	-	-	221,808	10,724,550
Cash and investment fund balance - ending	<u>\$ (1,230)</u>	<u>\$ 940,439</u>	<u>\$ 533,016</u>	<u>\$ 202,976</u>	<u>\$ 190,394</u>	<u>\$ 8,275,510</u>
<u>Cash and Investment Assets - ending</u>						
Cash and investments	\$ (1,230)	\$ 940,439	\$ -	\$ -	\$ 190,394	\$ 5,979,210
Restricted assets:						
Cash and investments	-	-	533,016	202,976	-	2,296,300
Total cash and investment assets - ending	<u>\$ (1,230)</u>	<u>\$ 940,439</u>	<u>\$ 533,016</u>	<u>\$ 202,976</u>	<u>\$ 190,394</u>	<u>\$ 8,275,510</u>
<u>Cash and Investment Fund Balance - ending</u>						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 298,610
Culture and recreation	-	-	-	-	-	149,092
Debt service	-	-	533,016	202,976	-	976,092
Capital outlay	-	-	-	-	-	872,506
Unrestricted	(1,230)	940,439	-	-	190,394	5,979,210
Total cash and investment fund balance - ending	<u>\$ (1,230)</u>	<u>\$ 940,439</u>	<u>\$ 533,016</u>	<u>\$ 202,976</u>	<u>\$ 190,394</u>	<u>\$ 8,275,510</u>

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, 2008

	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer	\$ 386,729	\$ 258,792	\$ 645,521
Plan members	3,311	5,459	8,770
State	<u>427,087</u>	<u>663,180</u>	<u>1,090,267</u>
Total additions	<u>817,127</u>	<u>927,431</u>	<u>1,744,558</u>
Deductions:			
Benefits	2,116,177	2,764,495	4,880,672
Administrative and general	<u>447</u>	<u>437</u>	<u>884</u>
Total deductions	<u>2,116,624</u>	<u>2,764,932</u>	<u>4,881,556</u>
Deficiency of total additions over total deductions	(1,299,497)	(1,837,501)	(3,136,998)
Cash and investment fund balance - beginning	<u>1,762,567</u>	<u>1,241,376</u>	<u>3,003,943</u>
Cash and investment fund balance - ending	<u>\$ 463,070</u>	<u>\$ (596,125)</u>	<u>\$ (133,055)</u>

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For The Year Ended December 31, 2008

	Payroll
Additions:	
Agency fund additions	\$ 23,487,603
Deductions:	
Agency fund deductions	23,134,761
Excess of total additions over total deductions	352,842
Cash and investment fund balance - beginning	421,481
Cash and investment fund balance - ending	\$ 774,323

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

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Fire vehicles	\$ 344,384	\$ 162,377
Scribner Aquatic Center	12,750,000	1,212,232
Bonds payable:		
Revenue bonds:		
2005 TIF bonds charlestown road improvements	1,640,000	267,082
2007 TIF bonds state street road improvements	2,850,000	269,366
2008 TIF bonds Grantline Road/Park East Industrial Park Road improvements	6,480,000	525,341
2008 TIF bonds redevelopment district	<u>2,140,000</u>	<u>132,774</u>
Total governmental activities debt	<u>\$ 26,204,384</u>	<u>\$ 2,569,172</u>
Business-type activities:		
Wastewater Utility:		
Capital leases:		
Aquatech combination sewer cleaner	\$ 130,153	\$ 36,824
Notes and loans payable:		
Community wastewater loan program build Indiana loan	355,147	37,384
2002 State revolving loan	34,328,001	2,277,824
2006 State revolving loan	1,183,000	105,729
2007 Bond anticipation note*	131,314	24,803
Revenue bonds:		
Wastewater 1998 repair and replacement	2,310,000	285,546
Wastewater 2003 refunding	5,885,000	1,231,818
Wastewater 2006 refunding	<u>9,925,000</u>	<u>752,113</u>
Total business-type activities debt	<u>\$ 54,247,615</u>	<u>\$ 4,752,041</u>

*Ending principal balance represents amount drawn down through December 31, 2008. Actual note is for \$1,315,000.
The remaining balance of \$1,183,686 was drawn down on April 22, 2009.

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping, were present during our period of audit:

1. Record balances were not fully reconciled to depository balances during the audit period. Monthly reconcilements performed consisted of verifying source documents (quietuses and checks) to deposits and checks clearing depositories each month, for each of the City's 14 bank accounts, and to the transactions and balances recorded in the City's records. However, discrepancies between the reconciled amounts and the transactions and balances were not always investigated or investigated in a timely manner. As a result of undetected errors as of December 31, 2008, the City has \$527,826 more in unidentified cash recorded in its records than that being held in its bank accounts.

IC 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)

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)

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 objections, 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)

2. The following transactions occurred during 2008 but were not recorded in the City's records:

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

Fund	Transactions Not Recorded		Description
	Receipts	Disbursements	
SRF Bond and Interest (monies held by trustee)	\$ 2,133,475.70	\$ -	Transfers from Sewer Operating
SRF Bond and Interest (monies held by trustee)	33,589.20	-	Transfer made by trustee from SRF Debt Reserve Fund
SRF Bond and Interest (monies held by trustee)	18,471.48	-	Investment earnings
SRF Bond and Interest (monies held by trustee)	-	2,389,566.00	Bond and interest payments made by trustee
SRF Bond and Interest (monies held by trustee)	-	2,313.20	Trustee fees
Total SRF Bond and Interest	2,185,536.38	2,391,879.20	
SRF Debt Reserve (monies held by trustee)	36,853.34	-	Investment earnings
SRF Debt Reserve (monies held by trustee)	6,521.04	-	Transfer from Sewer Operating
SRF Debt Reserve (monies held by trustee)	-	33,589.20	Transfer made by trustee to SRF Bond and Interest Fund
SRF Debt Reserve (monies held by trustee)	-	4,927.41	Trustee fees
Total SRF Debt Reserve	43,374.38	38,516.61	
TIF Grantline Road Bond (monies held by trustee)	6,097,050.00	-	Portion of bond proceeds not recorded
TIF Grantline Road Bond (monies held by trustee)	63,570.43	-	Interest earned
TIF Grantline Road Bond (monies held by trustee)	-	97,050.00	Bond issue costs
Total TIF Grantline Road Bond	6,160,620.43	97,050.00	
TIF Grantline Road Debt Reserve	533,016.00	-	Transfer from TIF Grantline Road Bond to set up Reserve Fund
TIF Spring Street Hill Debt Reserve	202,975.79	-	Transfer from TIF Spring St. Hill Bond to set up Reserve Fund
Total all transactions not recorded	\$ 9,125,522.98	\$ 2,527,445.81	

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

- Numerous journal entries were made by the City which did not contain adequate documentation. Many of the journal entries appeared to correct posting errors made by the City and for transfers made from one fund to another. These transactions were not supported by the issuance of checks or receipts. Without adequate documentation we were not always able to determine the correctness and validity of these transactions.

Supporting documentation such as receipts, cancelled 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)

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

4. Overpayments of \$324,045 were made to various vendors. Of these overpayments, \$132,072, were applied by the vendors to subsequent invoices and \$130,839 was refunded to the City. As of September 29, 2009, \$61,134 has not yet been refunded. A detailed schedule of these overpayments is presented below.

Check Date	Check No.	Vendor	Description of Overpayment	Amount of Overpayment	Amount Applied to Subsequent Invoice(s)	Amount Refunded	Balance to be Refunded	Date Refunded
01-22-08	16463	Business Vehicle Financial	Vehicle lease payments	\$ 4,494	\$ 4,494	\$ -	\$ -	N/A
02-04-08	12432	Greenwell Plumbing	1020 Pearl St. work	3,580	-	3,580	-	08-26-08
07-09-08	12667	Coffman Construction	Basin 18 contract	5,218	5,218	-	-	N/A
07-30-08	12703	Coffman Construction	Basin 18 contract	22,041	5,884	16,157	-	10-16-08
10-21-08	12776	Aqua Utility	Mt. Tabor station pump	12,680	-	12,680	-	12-30-08
11-20-08	19733	Mac Construction	15th St. project	123,811	76,007	47,804	-	12-12-08
11-20-08	19733	Mac Construction	Emergency manhole repair project	50,671	40,469	10,202	-	12-12-08
12-31-08	12873	Coffman Construction	Basin 18 contract	61,134	-	-	61,134	-
01-22-09	12902	Coffman Construction	Basin 18 contract	40,416	-	40,416	-	08-24-09
Totals				\$ 324,045	\$ 132,072	\$ 130,839	\$ 61,134	

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

5. The Annual City and Town Financial Report (CTAR-2) prepared and filed by the City for the fiscal year ending 2008, was materially misstated. The annual report did not include all of the funds of the City and the receipts and disbursements reported for some funds did not agree to the City's records.

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)

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 objections, 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)

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

FINANCIAL REPORT OPINION MODIFICATIONS

The State Board of Accounts was unable to provide an unqualified opinion on the Independent Auditors' Report for the financial statements due to the following deficiencies:

1. Cash reconcilements performed were incomplete.
2. Financial records did not contain all the financial transactions pertaining to the City.
3. Numerous journal entries for transfers and correction of errors were made without supporting documentation.

These deficiencies resulted in a qualified opinion being issued for the audit period.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

The cash balances of the following funds were overdrawn in 2008:

General	\$ 4,108,598
Motor Vehicle Highway	114,951
Park and Recreation	208,008
TIF Park East Industrial	861,623
Redevelopment BAN Charlestown Road	1,230
Fire Pension	596,125

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

APPROPRIATIONS

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

CITY OF NEW ALBANY
 AUDIT RESULTS AND COMMENTS
 (Continued)

Fund	Excess Amount Expended
General	\$ 1,294,292
Motor Vehicle Highway	300,745
Storm Water	1,575,556
Communications Nonreverting	65,000
Street Maintenance and Parking Meter	2,882
Fire Contract Runs	78,092
Total	\$ 3,316,567

IC 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."

TEMPORARY TRANSFER OF FUNDS

On June 2, 2008, the Common Council passed resolution 08-32 declaring an emergency existed and authorized the temporary transfer of funds from the TIF Allocation Fund to the General Fund in an amount not to exceed \$2,500,000. On October 6, 2008, the Common Council passed resolution 08-41 amending the previous resolution and approved the temporary transfer of an additional \$1,000,000 from the TIF Allocation Fund to the General Fund. The resolution required the temporary transfer of funds to be paid back at the time the City received its 2008 spring and fall tax settlements. The amount of temporary transfer outstanding at December 31, 2008, was \$1,500,000. On June 17, 2009, the City had received all monies due from the 2008 spring and fall tax settlement and therefore should have repaid the balance of the outstanding transfers. As of September 29, 2009, temporary transfers of \$1,500,000 have not been repaid.

IC 36-1-8-4 concerning temporary transfer, states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

PUBLIC RECORDS RETENTION

The following records were not presented for audit:

1. Bids received for the basin 16 sewer repair project. Board minutes indicated that there were five bidders, but only the bid from the actual contractor awarded the project was presented.
2. Actual contract awarded to Triplett Stripping, Inc., for the basin 16 sewer repair project.
3. Bids received for the emergency manhole sewer repair project 7-4. Board minutes indicated that there were two bidders, but only the bid from the actual contractor awarded the project was presented.

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, 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)

PURCHASE OF REAL PROPERTY

On March 13, 2008, the City purchased, at Sheriff's Auction, the land and structure located at 318 E. 4th Street at a cost of \$98,000. The City failed to follow the required procedures for purchasing the property. Prior to entering into a purchase agreement, the City should have first passed a resolution indicating their interest in purchasing the land. Additionally, two appraisals should have been obtained prior to making an offer or entering into the purchase agreement in order to determine the fair market value and determine an allowable purchase price.

IC 36-1-10.5-5 states:

"A purchasing agent shall purchase land or a structure only after compliance with the following procedures:

- (1) The fiscal body of the political subdivision shall pass a resolution to the effect that it is interested in making a purchase of specified land or a structure.
- (2) The purchasing agent shall appoint two (2) appraisers to appraise the fair market value of the land or structure. The appraisers must be professionally engaged in making appraisals or be licensed as a broker under IC 25-34.1.
- (3) The appraiser shall return their separate appraisals to the purchasing agent within thirty (30) days after the date of their appointment. The purchasing agent shall keep the appraisals on file in the purchasing agent's office for five (5) years after they are given to the purchasing agent.

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

(4) The purchasing agent shall give a copy of both appraisals to the fiscal body."

IC 36-1-10.5-6 states in part: "A purchasing agent may not purchase land or structure for a price greater than the average of the two (2) appraisals . . ."

PROMOTIONAL EXPENSES

During 2008, the City paid expenses in the amount of \$5,834 from the General Fund for flowers, membership and sponsorship fees, scholarships, meals, awards, lodging for "Breakfast at the Brickyard," and Christmas cards. The City considered these expenses to be for promotional and economic development purposes. These expenses were paid from the following General Fund departments and appropriations:

<u>Department</u>	<u>Appropriation</u>	<u>Totals</u>
Mayor	Economic development	\$ 2,727
Mayor	Miscellaneous supplies	59
Mayor	Travel	335
City Clerk	Miscellaneous office supplies	102
City Council	Miscellaneous supplies	150
Board of Works	Other services and supplies	<u>2,461</u>
Total		<u>\$ 5,834</u>

City officials stated that the General Fund appropriation for "Economic Development Expenses" for the Mayor's department was budgeted for these type of expenses; however, during 2008 the City did not have an ordinance that allows for these type of purchases and not all of the expenses noted were paid from the budgeted "Economic Development Expenses" appropriation. On August 20, 2009, the Common Council passed ordinance G-09-31 to allow these types of expenditures in the future to be paid from the "Economic Development Expense" appropriation within the budget of the Mayor's department.

The March 2004 Cities and Towns Bulletin states: "City and town councils are authorized to budget and appropriate funds from the general fund of the city, or town, to pay the expenses of or to reimburse city officials or town officials as the case may be, for expenses incurred in promoting the best interest of the city or town. Such expenses may include, but not necessarily be limited to, rental of meeting places, meals, decorations, memorabilia, awards, expenses incurred in promoting industrial, commercial, and residential development, expenses incurred in developing relations with other units of government and any other expenses of a civic or governmental nature deemed by the mayor or the town council to be in the interest of the city or town." Each city and town should establish, by ordinance, the parameters for such appropriations and expenditures. Such ordinance should list the specific types of promotional expenses which can be paid from moneys appropriated for such purposes.

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

TRAVEL CLAIMS

In some instances employees were reimbursed for travel expenses without original receipts 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)

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 fourteen employees to be used for City business and for driving to and from work. The City does not have a written policy concerning the use of city-owned vehicles. The vehicles furnished were not considered "qualified non-personal use vehicles" as defined by the Internal Revenue Service and therefore the use of these vehicles to commute to and from work is considered personal use and is a taxable fringe benefit. During 2008, the City calculated this fringe benefit for each of these employees using the Internal Revenue Service "commuter rule." During our review we noted that additional compensation was included on the employees W-2's for the personal use of the vehicles; however, the amount of compensation included was not always calculated for the entire time the employee was furnished the vehicle. Additionally, the "commuter rule" was used to calculate the fringe benefit for a "control employee." The "commuter rule" is not a permissible fringe benefit valuation method for vehicles provided to "control employees" as defined by the Internal Revenue Service.

City owned cell phones were furnished to 65 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 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 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)

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)

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

PRESCRIBED FORMS

The following prescribed or approved form was not in use:

Form 350 - Register of Investments

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)

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

The City has contracted with Medical Billing Group, LLC, and is currently contracted with AccuMed Billing, Inc., for the billings and collections of ambulance service runs. During the year 2008, Medical Billing Group, LLC, wrote off \$124,932 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 as required by Resolution R-09-07.

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)

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)

DEPARTMENTAL FEES CHARGED

We noted the following exceptions relating to fees that are to be charged by the following City departments:

Building Commission:

Instances were noted in which the fees charged were less than the amounts established under Ordinance G-08-34.

Park and Recreation:

Instances were noted in which fees were being waived without an ordinance or resolution authorizing the waiving of these fees.

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)

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)

RECEIPT ISSUANCE

In most instances, the Street Department did not issue receipts when collections were received. During 2008, the Street Department collected \$43,619 for street cuts; however, only \$1,277 in receipts were issued.

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)

DEPOSITS

The Parks Department operates concession stands at Anderson Park and the Pro Shop located at the Southern Indiana Sports Complex. Collections from both Anderson Park and the Pro Shop were not always deposited by the next business day.

IC 5-13-6-1(d) states:

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

DEPARTMENT RECEIPTS AND FEES

Receipts and fees collected by the Animal Shelter were remitted to the Controller less frequently than once a week.

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

CAPITAL ASSET RECORDS

The City does not maintain sufficient detailed records of capital assets owned by the City and the Wastewater Utility. 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 reflect their acquisition value. Such inventory should be recorded on the applicable Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

BOND ORDINANCE REQUIREMENTS

Revenue Bond Ordinances G-98-284, G-03-03, and G-06-3, which govern the 1998, 2003, and 2006 Sewage Revenue Bonds, respectively, require monthly transfers of the gross revenues of the Wastewater Operating Fund to the Bond and Interest Fund so that sufficient amounts are available to pay bond principal and interest payments when they come due. During 2008, transfers were not being made monthly, and as a result, the Bond and Interest Fund at December 31, 2008, was underfunded by \$114,387.

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)

DELINQUENT WASTEWATER ACCOUNTS

As of December 31, 2008, delinquent wastewater fees and penalties, totaling \$289,380, 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.

During 2008, \$70,346 in delinquent wastewater fees and penalties were properly recorded and certified; however, \$52,097 in delinquent wastewater fees were written off to bad debts as a result of liens not being recorded against the properties prior to the conveyance of the property.

IC 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. . . .

(k) Fees, penalties, and service charges that were not recorded before a recorded conveyance shall be removed from the tax roll for a purchaser . . ."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
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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, 2008. 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 of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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, 2008.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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)

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

The City's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, the Common Council, 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

September 29, 2009

CITY OF NEW ALBANY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2008

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant			
CDBG - Entitlement and (HUD) - Administered) Small Cities Cluster			
Community Development Block Grants/Entitlement Grants	14.218		
FY05		B-05-MC-18-0018	\$ 25,568
FY06		B-06-MC-18-0018	748,887
FY07		B-07-MC-18-0018	<u>244,326</u>
Total for federal grantor agency			<u>1,018,781</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Pass-Through Indiana Department of Natural Resources			
Outdoor Recreation - Acquisition, Development and Planning	15.916	LWCF 1800546	<u>17,711</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster	20.601		
Alcohol Impaired Driving Countermeasures Incentive Grants I			
FY08		PT-08-04-01-45	14,858
FY09		PT-09-04-01-43	<u>5,831</u>
Total for federal grantor agency			<u>20,689</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Direct Grant			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF 965582-01	<u>107,681</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security			
Disaster Grants - Public Assistance	97.036	043-52326-00 DR 1795	<u>632,411</u>
Total federal awards expended			<u>\$ 1,797,273</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, 2008:

Program Title	Federal CFDA Number	2008
Community Development Block Grants/Entitlement Grants:	14.218	
New Directions Housing Corporation		\$ 97,724
Community Housing Development Corporation		2,858
Robbie Valentine Enterprises		6,000
New Albany-Floyd County Consolidated School Corporation		33,594

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: Qualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? yes

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies 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
97.036	Disaster Grants - Public Assistance

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2008-1, CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping, were present during our period of audit:

1. Record balances were not fully reconciled to depository balances during the audit period. Monthly reconcilments performed consisted of verifying source documents (quietuses and checks) to deposits and checks clearing depositories each month, for each of the City's 14 bank accounts, and to the transactions and balances recorded in the City's records. However, discrepancies between the reconciled amounts and the transactions and balances were not always investigated or investigated in a timely manner. As a result of undetected errors as of December 31, 2008, the City has \$527,826 more in unidentified cash recorded in its records than that being held in its bank accounts.

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

IC 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)

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)

2. During 2008, \$9,125,523 in receipts and \$2,527,446 in disbursements were not recorded in the City's records.

Receipts not recorded in the City's records included: Interest earned and transfers received by the SRF Trust Funds, Bond proceeds received by the TIF Grantline Road Bond Fund, and transfers received by the TIF Grantline Road Debt Reserve Fund and TIF Spring Street Hill Debt Reserve Fund.

Disbursements not recorded in the City's records included: Bond and interest payments made by the SRF Bond and Interest Trust Fund, and bond issues costs paid by the TIF Grantline Road Bond Fund.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

3. Numerous journal entries were made by the unit which did not contain adequate documentation. Many of the journal entries appeared to be to correct posting errors made by the unit and for transfers made from one fund to another. These transactions were not supported by the issuance of checks or receipts. Without adequate documentations we could not determine the correctness and validity of these transactions.

Supporting documentation such as receipts, cancelled 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)

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

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

4. Overpayments of \$324,045 were made to various vendors. Of these overpayments, \$132,072, were applied by the vendors to subsequent invoices and \$130,839 was refunded to the City. As of September 29, 2009, \$61,134 has yet to be refunded.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

5. The Annual City and Town Financial Report (CTAR-2 prepared and filed by the City for the fiscal year ending 2008, was materially misstated. The annual report did not include all of the funds of the City and the receipts and disbursements for some funds did not agree to the City's records.

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)

We recommended the City:

1. Properly complete monthly cash reconciliements by verifying the correct postings of source documents (quietuses and checks) to the financial records. Investigate in a timely manner any discrepancies between the reconciled amounts and the transactions and balances. To assist in the cash reconciliation process, the City should reduce the number of bank accounts to a minimum number required by statute or local ordinance.
2. Promptly record all transactions of the City into the financial records.
3. Limit the use of journal entries by recording transactions into the financial records through the use of checks and receipts. Require proper supporting documentation for all journal entries made.
4. Collect any overpayments made to vendors.
5. Properly and accurately prepare the City's annual report by including all funds and transactions of the City.

FINDING 2008-2. INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

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

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

1. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statements and then determining how those identified risks should be managed. The City has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
2. **Monitoring of Controls:** Effective internal control over financial reporting requires the Common Council to monitor and assess the quality of the City's system of internal control. The Common Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the City at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the City has no process to identify or communicate corrective actions to improve controls.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7).

We recommended:

1. The City identify and analyze the risks of material misstatements to the financial statements and then design effective controls to manage those risks in order to prevent or detect material misstatements in a timely manner.
2. The Common Council monitors and assesses the quality of the City's system of internal control. The Common Council should ensure controls are designed to operate effectively to provide reasonable assurance that those controls will prevent or detect material misstatements in a timely manner. Additionally, procedures should be implemented to identify and communicate corrective actions to improve controls.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.



City of New Albany

Kathlyn M. Garry
City Controller

July 17, 2009

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2007-1

Original SBA Audit Report Number	<u>B32312</u>
Fiscal Year	<u>2007</u>
Auditee Contact Person	<u>Kathlyn M. Garry</u>
Title of Contact Person	<u>Controller</u>
Phone Number	<u>812-948-5333</u>
Status of Finding	<u>Monitoring is continuing</u> <u>On public work projects</u>

Sincerely,

Kathlyn M. Garry

cc: Carl E. Malysz, Dir. Of Community Development
John W. Rosenbarger, Public Works Project Supervisor
Sherrie Holmes, Public Facilities Specialist

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FOUNDED 1813

City of New Albany

Kathlyn M. Garry
City Controller

CORRECTIVE ACTION PLAN

TO: Indiana State Board of Accounts
FROM: Kathlyn M. Garry, City Controller
SUBJECT: FINDING 2008-1 CONDITION OF RECORDS
DATE: September 22, 2009

The City of New Albany is aware of the conditions of records during 2008, and records will be more closely monitored. The errors stated in the findings are the result of clerical error of not posting a revenue or an expenditure. It could also be the changing through a Journal Entry through bank reconciliations or through journal entries to correct either revenues or expenditures and the posting of the Entry was misstated. The bank reconciliations will be monitored by the Controller when done on the monthly basis so any discrepancies can be caught and investigation and correction done in a timely manner.

The staff has been instructed before entering claims, that the documentation inside the claim match the requested payment. The current department heads, and/or their appointed claims' clerk have been advised to double check the documentation for accuracy before posting the amount on the outside of the claims.

The staff has been instructed to check vendors' claims before payment to ensure that it is not a duplicate payment. It has been stressed to the current department heads and/or their appointed claims' clerk to watch and cancel duplicate payments before they are brought to the controller's office for payment.

The annual City and Town Financial Report (CTAR-2) is now done electronically. It was the first year the controller had prepared this report in this manner. It is an ongoing learning experience but the 2009 will not contain errors found for 2008.

It is the City of New Albany's belief the above steps will enable the records of the City to have accurate and up-to-date records.

Kathlyn M. Garry, Controller
9/29/09

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FOUNDED 1813

City of New Albany

Kathlyn M. Garry
City Controller

CORRECTIVE ACTION PLAN

TO: Indiana State Board of Accounts

FROM: Kathlyn M. Garry, City Controller

SUBJECT: FINDING 2008-2

DATE: September 22, 2009-09-22

The City of New Albany's City Controller is proposing to have more oversight with each employee and their assigned duties. This will be implemented by weekly staff meetings. It will also be accomplished by the division of the work load so that no one is responsible for more than can be handled in a forty hour week. .

There will also be more cross-training so that when one employee's duties on a particular week are lighter, that employee can help with the work being done by another staff member.

Each staff member should be versed on claims, payroll, budgets, revenues and any work controlled and maintained in the controller's office.

Kathlyn M. Garry, Controller
9/29/09

CITY OF NEW ALBANY
EXIT CONFERENCE

The contents of this report were discussed on September 29, 2009, with Douglas B. England, Mayor; Kathlyn M. Garry, Controller; Carl E. Malysz, Deputy Mayor/Director of Community Development; Shane L. Gibson, City Attorney; Dan J. Coffey, President of the Common Council; Jeff Gahan, Council member; Bob Caesar, Council member; and Diane Benedetti, Council member. The official response has been made a part of this report and may be found on pages 66 through 71.



City of New Albany

Kathlyn M. Garry
City Controller

CITY OF NEW ALBANY OFFICIAL RESPONSE TO 2008 AUDIT

October 1, 2009

State Board of Accounts
Indianapolis, IN 46204

Gentlemen:

Your agency came to New Albany in early May. Almost immediately, one auditor was called to another county and taxing entity for audits for one week. Another auditor was out ten days because of surgery. But, as in every year, after auditors come to the City, they are called out to other entities to either audit or finish an audit. It is understandable that these things occur, but it is frustrating to have an audit begun and then have to wait a week or ten days before questions and documents requested are not looked at or answered until an auditor comes back from where he has been sent while he supposed to be doing our audit. Also, there were new guidelines thrown at this office for the 2008 audit. This caused more disruption of day to day work, with too small a staff, by these new practices.

Condition of Records. No. 1

The deficiency found by your agency is too much. We agree, but we diligently looked for this with your auditors. There has been no monies missing in my 15 years as controller, but I must tell you the system we are working with is not a good financial system. It cost the city more than \$700,000 from 2002 through February 2004. It was implemented in 2003 and prior records were not carried forward. One of the deficiencies is the ability to print Journal Entries either by journal number or by date of journal entry. I have asked the software company for an estimate to create such a report and the cost is \$2,000 to \$3,000. With the city's financial problems, I do not have that amount in my budget. The found deficit balance has to be an expenditure or a revenue duplication. As of today it has not been found, but we are still searching our records.

Condition of Records No. 2. This Controller has tried to deal with the Trustee's bank statements on SRF loans. We have created funds for the interest and the expenditures once the bank statements are received, but it would take a CPA to understand these statements. The monies are transferred monthly to the trustee, the trustee paid the bonds and interest payments, and the controller contacted the trustee to make sure these

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payments were made. The controller will make these transactions into the city's financial system, but other duties must be given over to someone else in the city or in the controller's office staff. Regarding the TIF bonds not recorded. They can not be seen on the financial system computer by the controller and the bookkeeper, but the banks are on line. The two "Debt Reserve" transactions were done immediately when the Redevelopment Department asked, but they were not put into the system. Once again, for the controller to take care of these duties, she must be relieved of other tasks either by the administration or transfer her duties to another member of her understaffed office.

Condition of Records No. 3. The only way for the financial system to allow NSF checks paid to the city in various department is by a journal entry. This system does not accept "minus" quietuses. Also, when a department head asks for a budget adjustment from one line item to another, this is the way this system has in taking care of that matter. Also, when quietuses are put into the wrong fund or a check is written to a wrong line item and/or fund, a journal entry is the only way this can be corrected in the system. The auditor suggested a check be written. He forgot that to write a check, you have to have an appropriation to write from and this is not feasible.

Condition of Records No. 4. In the late 90's claims were to be certified by the department head requesting the payment to the vendor. Each department should have a record of what has been previously paid. This has been stressed to department heads in several staff meetings throughout 2008 and 2009. The controller is adding administrative work to her understaffed office and all claims will be searched in the computer to make sure the request has not been previously paid. Also, she is advising her staff, that all claims' documentation is added up and a tape attached to the claim showing that the documentation matches the requested amount on the front of the claim. This will add considerable work load to an understaffed office that should be done by the department requesting the payment. If the documents do not match the total on the front of the claim, it will be forwarded back to the department which may cause the claim payment to the vendor to be delayed by a month. Also, in the future, the overpayment will and cannot be applied to the next invoice from the vendor, but a check from the vendor will be demanded. There is one vendor who has not complied in paying back what was overpaid to him. Conversations were ongoing with this vendor, when the controller's husband died and she was out of the office for several weeks. This vendor will be contacted and if the money is not forthcoming, it will be turned over to the city's legal department. Once again this problem falls back to a department under a "contractual" supervisor who obviously wasn't watching the payments as closely as he should have been.

Condition of Records No. 5. The annual report, CTAR, has been mandated by the State to be submitted electronically. The report for 2007 was done by the State Board of Accounts auditor. This report has to be submitted by February 28. The controller received five to six hours of training, which was not all in one day, from one of the SBA auditors. To the best of her ability, she entered and produced the product sent to the state. Obviously, there were corrections to be made, but the controller was never given the corrections to make an amended report. The controller realizes that this is an

ongoing procedure and must put aside day to day work in the future to have this report done by February 28. Once again, duties that the controller performs must be directed to someone else's attention so she can dedicate her time to the time-consuming product. In the past, when it was done on paper, the controller worked at home for several weekends to not have interruptions in this process.

OVERDRAWN CASH BALANCES

Although there is a note in the audit referring to unpaid 2008 property tax monies until 2009 you have to look closely for that statement. In the General Fund, \$3,000,000 in 2008 taxes were not paid until April and June of 2009, therefore, the large overdrawn cash balance in the General Fund. The same reason applies to the Parks Department, to the TIF Park East Industrial listing and the Fire Pension Fund.

OVERSPENT APPROPRIATION

A. The tax anticipation warrant of \$1.5 brought forth from 2008 into 2009 was not paid back as yet, because the \$3,000,000 in late 2008 money has had to be used for cash flow purposes. The city has not received 1 cent of 2009 money and when this occurs, the \$1.5 loan will be repaid to TIF. If the \$3 million had not been used for cash flow, more borrowing would have had to be done.

B. The GENERAL fund appropriations were overspent in two departments. The Fire and Police Departments were overspent, whereas, the other 14 departments in the GENERAL fund had balances in their appropriations at the end of 2008. The city has to take a closer look at those two department. The controller as paymaster has to follow the law, and any employee working must be paid in two weeks whether there is an appropriation or not.

The Stormwater fund had a budget for 2008, but not set in the manner that it could have been put into the financial system. There was a cash balance at the end of 2008, so the fund did not overspend cash, but only because appropriations were not set forth in a manner to put into the financial system.

The Communications Non-Reverting fund was overspent in appropriations of \$65,000. There was a confusion that the \$130,000 to help the Communications from the 911 fund in 2006 was appropriated as \$65,000 in 2007 and \$65,000 in 2008. It was assumed that this appropriation had been approved, but I was proven wrong by the ordinance that was signed. There should have been a \$65,000 appropriation done for the 2008 expenditures. The cash was there, not the appropriation.

The Fire Runs Non Reverting fund had the cash but not the appropriation when it was learned that the new radio system that had been paid for was more than the appropriation and in December it was too late to do an additional, but the vendor needed to be paid so it was done.

PUBLIC RECORDS RETENTION

In the 1990's there was a file in the controller's office, to hold all projects bid out for the Wastewater Treatment Plant which at that time was run by the city. This file contained the bids, the contract and pertinent documentation. When the WWTP was given to a contractual firm, there has been no central point of control when bidding processes have been done. It has been established two areas where all this information will be documented in the future. The city engineer and the city clerk have made arrangements that the engineer will have the originals and the clerk will keep a copy of the bids, contracts and accompanying documents. The bidding process was given to the contractor running the plant and the accompanying engineering firms. The city hired the city engineer in September of 2008 and records will be kept in a project file by the engineer.

PURCHASE OF REAL PROPERTY

An answer will have to be given by the city legal department on this item.

PROMOTIONAL EXPENSES

As soon as it was pointed out to the controller that an ordinance needed to be established for an "economic development" line item in the mayor's budget, it was done immediately. This line item has been in the mayor's budget as long as the controller has been in the controller's office, off and on, since the middle 80's. The need for an ordinance was never questioned in previous years. The mayor's budget was a \$4,000 appropriation and only \$2727 was spent. The controller cannot find the other \$59 pinpointed in the audit report and has been through the entire mayor's budget and there is no "miscellaneous" supplies line item. More explanation in the audit must be given to find the \$335 in travel spent on economic development. There is no such entry in this amount.

The clerk's expenditure was for flower arrangements. The clerk is an elected official and the controller's staff did not question her claims signed off by her.

The council's expenditure was for flower arrangements. The council members are elected officials and the controller's staff did not question the claims presented.

The Board of Works expenditures included flags, plaque purchases for presentation to citizens, etc.

From the 08 audit, obviously, these should be charged to "Community Promotion Non-Reverting" fund. There is limited cash flow in that fund, although appropriations are there but cannot be used without the cash flow back up.

PERSONAL USE OF CITY OWNED VEHICLES/CELL PHONES

The controller's office is the last to know who has a take-home vehicle. A new form is being created to flow through the "Human Resources" department. When a new employee is hired, the department head has to supply a "change of status" form and the department supervisor will now sign off on a form indicating whether this new employee will have use of a "take-home" car and/or "cell" phone. We agree that more stringent uses of these two items needs to be controlled.

Of the cell phones paid for by city, the majority are in the police department, fire department and parks department. These phone records are maintained in the corresponding department. We will once again bring them into the controller's office for payment purposes.

PRESCRIBED FORMS

In the 1990's a large log was kept of all investments. When this controller returned in 2004, that log was no longer available, but a file was kept. The log has been reinstated.

BAD DEBTS AND UNCOLLECTIBLE ACCOUNT

The write-offs in the ambulance service have not been done in a public meeting as that opens the door for non-payments of the portion of bills not paid by insurances.

DEPARTMENTAL FEES CHARGED

These two instances have been corrected for 2009. These were clerical errors within those departments. If the auditor feels that the Controller's Office should catch all these types of errors, then something will have to be done for staffing in the controller's office. I cannot fathom the manpower it would take for these errors to be caught by the controller's staff.

RECEIPT ISSUANCE

The controller begs to differ with the State Board of Accounts. There were receipts issued for street cuts in the Street Department. The clerk in the Street department died early in 2008. Once the department supervisor, newly appointed in a new administration, indicated he could not keep up with the street cuts receipt issuance, they were brought to the controller's office and the controller personally brought them up to date through August 2008. The department supervisor then took this process back to the Street Department. Evidently, when the audit was being done, the receipt books, located in the Street Department, were not given to the auditors or they would have seen the receipts issued in the amount of money indicated in the audit.

DEPOSITS

The Parks Department has improved their deposit schedule and since talking with the State Board of Accounts, there are no current problems in that department.

DEPARTMENT RECEIPTS AND FEES

The controller's office collects fees and charges once a week from 12 plus departments.

The Animal Shelter missed a weekly deposit on seven occasions. Those seven occasions were two week deposits. There were two or three times that the weekly deposit was stretched to ten days. This has once again been corrected. Proactive memo to this effect had been sent out annually. Once again, another memo will be sent to all departments as a reminder.

BOND ORDINANCE REQUIREMENTS

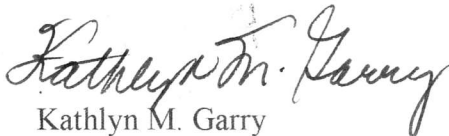
The under funding of the bond ordinance did not have to occur, but the transfer check Was not receipted to the bond and interest fund, but was receipted back into the fund that it was written from and was not found until 2009 and at that time could not be corrected. The cash flow was there, but not the appropriation.

DELINQUENT WASTEWATER ACCOUNTS

This has been an ongoing problem since 1998 when the billing process was taken from the city's control and given to Indiana American Water Company. They used a collection agency which went bankrupt. The last several years, many of these problems have been corrected, and diligently filed with the recorder. This is an ongoing correction process and hopefully one day will be an automatic process now that the billing has been brought back in-house.

It was felt that a response had to be given to the 2008 audit as some of the comments are explainable and correctable.

Respectfully submitted,


Kathlyn M. Garry