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

ANNUAL FINANCIAL REPORT

2009

CITY OF NEW ALBANY

FLOYD COUNTY, INDIANA



**FILED**  
09/22/2010



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### SCHEDULE OF OFFICIALS

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



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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, 2009, 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 paragraphs three and five, 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. Financial transactions were not always posted timely resulting in some financial transactions being posted to the ledger in the subsequent period. With financial transaction not being posted timely, we were unable to verify that all financial transactions have been properly accounted for. There were numerous uncorrected posting errors. We were able to identify some posting errors through the use of source documents. Additionally, there were 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.

As discussed in Note I, the financial statements referred to above do not include a component unit of the City which should have been included to fairly present the financial position of the City.

In our opinion, except that the omission of the component units of the City referred to in the preceding paragraph results in incomplete presentation, and for the effects of such adjustments, if any, as might have been determined necessary had we been able to examine evidence regarding cash reconciliations, timely record keeping, uncorrected posting errors, and supporting documentation for journal

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

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, 2009, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated August 25, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards 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 and Schedules of Contributions From the Employer and Other Contributing Entities are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, and Schedule of Long-Term Debt are presented for additional analysis and are not 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, 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.

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

STATE BOARD OF ACCOUNTS

August 25, 2010



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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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 25, 2010. The opinions to the financial statements were qualified due to the omission of a component unit of the City which results in incomplete presentation, inadequate cash reconcilements, failure to record financial transactions timely, uncorrected posting errors, and lack of supporting documentation for journal entries posted to the records. 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 2009-2 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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)

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.

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 2009-2 to be material weaknesses.

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 2009-1.

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

August 25, 2010

CITY OF NEW ALBANY  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2009

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 5,627,169	\$ 4,206,207	\$ -	\$ -	\$ (1,420,962)	\$ -	\$ (1,420,962)
Public safety	13,914,831	244,970	104,981	-	(13,564,880)	-	(13,564,880)
Highways and streets	1,722,975	41,251	1,039,525	404,433	(237,766)	-	(237,766)
Health and welfare	359,879	51,525	-	-	(308,354)	-	(308,354)
Economic development	7,292,198	-	-	535,919	(6,756,279)	-	(6,756,279)
Culture and recreation	652,913	208,174	-	-	(444,739)	-	(444,739)
Urban redevelopment and housing	611,662	-	-	-	(611,662)	-	(611,662)
Principal and interest on indebtedness	2,568,810	-	-	-	(2,568,810)	-	(2,568,810)
Total governmental activities	<u>32,750,437</u>	<u>4,752,127</u>	<u>1,144,506</u>	<u>940,352</u>	<u>(25,913,452)</u>	<u>-</u>	<u>(25,913,452)</u>
Business-type activities:							
Wastewater	<u>13,701,680</u>	<u>10,632,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,069,292)</u>	<u>(3,069,292)</u>
Total primary government	<u>\$ 46,452,117</u>	<u>\$ 15,384,515</u>	<u>\$ 1,144,506</u>	<u>\$ 940,352</u>	<u>(25,913,452)</u>	<u>(3,069,292)</u>	<u>(28,982,744)</u>
General receipts:							
Property taxes					15,601,560	-	15,601,560
Intergovernmental					10,540,473	-	10,540,473
Other local sources					2,545,903	164,925	2,710,828
Net proceeds from borrowings					400,000	1,183,686	1,583,686
Grants and contributions not restricted to specific programs					800,310	-	800,310
Investment earnings					175,436	10,600	186,036
Transfers					(870,000)	870,000	-
Total general receipts and transfers					<u>29,193,682</u>	<u>2,229,211</u>	<u>31,422,893</u>
Change in net assets					3,280,230	(840,081)	2,440,149
Net assets - beginning					<u>18,777,140</u>	<u>3,009,055</u>	<u>21,786,195</u>
Net assets - ending					<u>\$ 22,057,370</u>	<u>\$ 2,168,974</u>	<u>\$ 24,226,344</u>
<b>Assets</b>							
Cash and investments					\$ (2,178,021)	\$ (1,188,142)	\$ (3,366,163)
Restricted assets:							
Cash and investments					24,235,391	565,777	24,801,168
Cash and investments with fiscal agent					-	2,791,339	2,791,339
Total assets					<u>\$ 22,057,370</u>	<u>\$ 2,168,974</u>	<u>\$ 24,226,344</u>
<b>Net Assets</b>							
Restricted for:							
General government					\$ 1,307,783	\$ -	\$ 1,307,783
Public safety					407,253	-	407,253
Highways and streets					332,027	-	332,027
Economic development					12,329,590	-	12,329,590
Culture and recreation					316,257	-	316,257
Urban redevelopment and housing					74,174	-	74,174
Debt service					2,938,555	3,290,918	6,229,473
Capital outlay					6,510,836	66,198	6,577,034
Other purposes					18,916	-	18,916
Unrestricted					<u>(2,178,021)</u>	<u>(1,188,142)</u>	<u>(3,366,163)</u>
Total net assets					<u>\$ 22,057,370</u>	<u>\$ 2,168,974</u>	<u>\$ 24,226,344</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, 2009

	General	TIF Bond Grantline Road	TIF Allocation Grantline Road	TIF Charlestown Road	Economic Development Income Tax	Other Governmental Funds	Totals
<b>Receipts:</b>							
Taxes	\$ 8,539,022	\$ -	\$ 703,004	\$ 2,280,402	\$ -	\$ 4,079,132	\$ 15,601,560
Licenses and permits	141,076	-	-	-	-	16,330	157,406
Intergovernmental	5,509,091	-	-	-	2,954,331	4,199,164	12,662,586
Charges for services	573,528	-	-	-	652,959	2,812,974	4,039,461
Fines and forfeits	600	-	-	-	-	80,172	80,772
Interfund loans	1,500,000	-	3,000,000	-	-	-	4,500,000
Other	496,251	27,743	6,867	9,042	5,463	1,361,952	1,907,318
<b>Total receipts</b>	<b>16,759,568</b>	<b>27,743</b>	<b>3,709,871</b>	<b>2,289,444</b>	<b>3,612,753</b>	<b>12,549,724</b>	<b>38,949,103</b>
<b>Disbursements:</b>							
General government	1,914,080	-	-	-	-	1,605,592	3,519,672
Public safety	13,036,851	-	-	-	-	790,169	13,827,020
Highways and streets	-	-	-	-	-	1,404,156	1,404,156
Health and welfare	359,879	-	-	-	-	-	359,879
Economic development	-	-	71,501	-	2,549,701	528,634	3,149,836
Culture and recreation	-	-	-	-	-	1,263,652	1,263,652
Urban redevelopment and housing	-	-	-	-	-	221,286	221,286
Interfund loans	3,000,000	-	1,500,000	-	-	-	4,500,000
Debt service:							
Principal	-	-	107,500	200,000	-	1,133,914	1,441,414
Interest	-	-	178,053	67,082	-	882,261	1,127,396
Capital outlay:							
General government	-	-	-	-	-	1,328,449	1,328,449
Public safety	-	-	-	-	-	122,141	122,141
Highways and streets	-	-	-	-	-	318,819	318,819
Health and welfare	-	-	-	-	-	-	-
Economic development	-	366,465	68,921	196,440	1,356,067	2,154,469	4,142,362
Culture and recreation	-	-	-	-	-	118,958	118,958
Urban redevelopment and housing	-	-	-	-	-	390,376	390,376
<b>Total disbursements</b>	<b>18,310,810</b>	<b>366,465</b>	<b>1,925,975</b>	<b>463,522</b>	<b>3,905,768</b>	<b>12,262,876</b>	<b>37,235,416</b>
Excess (deficiency) of receipts over disbursements	(1,551,242)	(338,722)	1,783,896	1,825,922	(293,015)	286,848	1,713,687
<b>Other financing sources (uses):</b>							
Net proceeds from borrowings	-	-	-	-	-	400,000	400,000
Transfers out	-	-	-	-	(870,000)	-	(870,000)
Other receipts	316,070	-	-	-	33,113	1,702,381	2,051,564
<b>Total other financing sources (uses)</b>	<b>316,070</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(836,887)</b>	<b>2,102,381</b>	<b>1,581,564</b>

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, 2009  
(Continued)

	General	TIF Bond Grantline Road	TIF Allocation Grantline Road	TIF Charlestown Road	Economic Development Income Tax	Other Governmental Funds	Totals
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,235,172)	(338,722)	1,783,896	1,825,922	(1,129,902)	2,389,229	3,295,251
Cash and investment fund balance - beginning	(4,108,598)	6,460,247	(22,729)	1,498,469	3,571,932	11,343,882	18,743,203
Cash and investment fund balance - ending	<u>\$ (5,343,770)</u>	<u>\$ 6,121,525</u>	<u>\$ 1,761,167</u>	<u>\$ 3,324,391</u>	<u>\$ 2,442,030</u>	<u>\$ 13,733,111</u>	22,038,454
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>18,916</u>
Net assets of governmental activities							<u>\$ 22,057,370</u>
<u>Cash and Investment Assets - ending</u>							
Cash and investments	\$ (5,343,770)	\$ -	\$ -	\$ -	\$ -	\$ 3,165,749	\$ (2,178,021)
Restricted assets:							
Cash and investments	-	6,121,525	1,761,167	3,324,391	2,442,030	10,567,362	24,216,475
Total cash and investment assets - ending	<u>\$ (5,343,770)</u>	<u>\$ 6,121,525</u>	<u>\$ 1,761,167</u>	<u>\$ 3,324,391</u>	<u>\$ 2,442,030</u>	<u>\$ 13,733,111</u>	<u>\$ 22,038,454</u>
<u>Cash and Investment Fund Balance - ending</u>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,307,783	\$ 1,307,783
Public safety	-	-	-	-	-	434,488	434,488
Highways and streets	-	-	-	-	-	332,027	332,027
Economic development	-	6,121,525	1,761,167	-	-	4,446,898	12,329,590
Culture and recreation	-	-	-	-	-	289,022	289,022
Urban redevelopment and housing	-	-	-	-	-	74,174	74,174
Debt service	-	-	-	-	-	2,938,555	2,938,555
Capital outlay	-	-	-	3,324,391	2,442,030	744,415	6,510,836
Unrestricted	(5,343,770)	-	-	-	-	3,165,749	(2,178,021)
Total cash and investment fund balance - ending	<u>\$ (5,343,770)</u>	<u>\$ 6,121,525</u>	<u>\$ 1,761,167</u>	<u>\$ 3,324,391</u>	<u>\$ 2,442,030</u>	<u>\$ 13,733,111</u>	<u>\$ 22,038,454</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, 2009

	Wastewater Utility	Internal Service Funds
Operating receipts:		
Metered/measured	\$ 8,624,089	\$ -
Sanitation revenues	1,825,746	-
Other wastewater revenue	182,553	-
Insurance claims and expense	-	729,697
	<u>10,632,388</u>	<u>729,697</u>
Total operating receipts		
Operating disbursements:		
Insurance claims and expense	-	744,718
Administration and general	386,232	-
Treatment and disposal	4,603,482	-
Sanitation - operations and maintenance	2,071,197	-
Equipment and capital improvements	1,882,556	-
	<u>8,943,467</u>	<u>744,718</u>
Total operating disbursements		
Excess (deficiency) of operating receipts over operating disbursements	<u>1,688,921</u>	<u>(15,021)</u>
Nonoperating receipts (disbursements):		
Investment income	10,600	-
Net proceeds from borrowings	1,183,686	-
Refunds	164,925	-
Debt service of principal	(2,776,219)	-
Interest disbursements	(1,981,994)	-
	<u>(3,399,002)</u>	<u>-</u>
Total nonoperating receipts (disbursements)		
Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	(1,710,081)	(15,021)
Transfers in	<u>870,000</u>	<u>-</u>
Deficiency of receipts, contributions and transfers in over disbursements and transfers out	(840,081)	(15,021)
Cash and investment fund balance - beginning	<u>3,009,055</u>	<u>33,937</u>
Cash and investment fund balance - ending	<u>\$ 2,168,974</u>	<u>\$ 18,916</u>
<u>Cash and Investment Assets - December 31</u>		
Cash and investments	\$ (1,188,142)	\$ -
Restricted assets:		
Cash and investments	565,777	18,916
Cash and investments with fiscal agent	<u>2,791,339</u>	<u>-</u>
Total cash and investment assets - December 31	<u>\$ 2,168,974</u>	<u>\$ 18,916</u>
<u>Cash and Investment Fund Balance - December 31</u>		
Restricted for:		
Debt service	\$ 3,290,918	\$ -
Capital outlay	66,198	-
Other purposes	-	18,916
Unrestricted	<u>(1,188,142)</u>	<u>-</u>
Total cash and investment fund balance - December 31	<u>\$ 2,168,974</u>	<u>\$ 18,916</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, 2009

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Fund</u>	<u>Agency Fund</u>
Additions:			
Contributions:			
Employer	\$ 980,550	\$ -	
Plan members	4,336	-	
State	4,137,829	-	
Other	<u>-</u>	<u>3,200</u>	
Total contributions	<u>5,122,715</u>	<u>3,200</u>	
Investment earnings:			
Interest	<u>-</u>	<u>889</u>	
Total additions	<u>5,122,715</u>	<u>4,089</u>	
Deductions:			
Benefits	4,135,678	-	
Administrative and general	<u>15,410</u>	<u>4,599</u>	
Total deductions	<u>4,151,088</u>	<u>4,599</u>	
Excess (deficiency) of total additions over total deductions	971,627	(510)	
Cash and investment fund balance - beginning	<u>(133,055)</u>	<u>223,734</u>	
Cash and investment fund balance - ending	<u>\$ 838,572</u>	<u>\$ 223,224</u>	<u>\$ 678,300</u>

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

CITY OF NEW ALBANY  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Primary Government:	City of New Albany
Blended Component Unit:	Redevelopment Authority

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

The Redevelopment Authority has been omitted from these financial statements. Accordingly, the financial statements do not include the data of all of the City's component units necessary to fairly present the financial position of the City.

Related Organizations

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

Jointly Governed Organization

The City, in conjunction with Floyd County, has created the New Albany-Floyd County Parks and Recreation Board. The City operates the New Albany-Floyd County Parks and Recreation and maintains the accounting records.

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,

CITY OF NEW ALBANY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

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 accounts for the financial resources for public improvements and economic development within the TIF district.

The TIF allocation Grantline Road fund accounts for the financial resources for public improvements and economic development within the TIF district.

The TIF Charlestown Road fund accounts for the financial resources for public improvements and economic development within the TIF district.

The economic development income tax (EDIT) fund is used to account for economic development income tax receipts and disbursements.

The City reports the following major enterprise 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 officers' and 1937 fire-fighters' pension plans, 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 its enterprise funds. 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.

When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first, then unrestricted resources as they are needed.

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

Normally, 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. 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 may become delinquent if not paid by May 10 and November 10, respectively.

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.

CITY OF NEW ALBANY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability 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."

Fund Financial Statements

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

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

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

F. Internal and Interfund 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 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.

CITY OF NEW ALBANY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is 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 loans and 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. Prior to November 1, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

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

CITY OF NEW ALBANY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2009, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2009
General	\$ 786,769
Motor Vehicle Highway	238,736
Riverfront Heritage	5,839
Total	\$ 1,031,344

These disbursements were funded by unappropriate available cash balances.

C. Cash and Investment Balance Deficits

At December 31, 2009, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2009
General	\$ 5,343,770
Park and Recreation	330,316
Fire Pension	69,290

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements and delays incurred in receiving property tax distributions from the County. Property taxes during the audit period were not billed timely by the County Treasurer and as a result the property taxes for the General Fund, Park and Recreation Fund, and Fire Pension Fund, in the amount of \$3,346,075, \$280,445, and \$238,392, respectively, which normally would have been received during the audit period were not received until 2010. Remaining deficit balances are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 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, 2009, the City had deposit balances in the amount of \$26,074,974.

CITY OF NEW ALBANY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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, 2009, the City had the following investments:

<u>Investment Type</u>	<u>Market Value</u>
Mutual funds	<u>\$ 2,791,339</u>

Statutory Authorization for Investments

IC 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 have a stated final maturity of one day.

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

CITY OF NEW ALBANY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2009, were as follows:

Transfer From	Transfer To	2009
Economic Development Income Tax Fund	Wastewater Utility Fund	\$ 870,000

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

C. Restatements and Reclassifications

For the year ended December 31, 2008, certain changes have been made to the financial statements to more appropriately reflect financial activity of the City. The following schedule presents a summary of restated beginning balances by opinion unit. Prior period adjustments represent correction of posting errors made by the City while investigating reported prior audit deficiencies relating to cash balances.

Opinion Unit	Balance as Reported December 31, 2008	Change in Major Funds	Prior Period Adjustments	Balance as Restated January 1, 2009
Governmental Funds	\$ 18,744,414	\$ -	\$ (1,211)	\$ 18,743,203
Other Governmental Funds	8,275,510	1,001,919	2,066,453	11,343,882
TIF Allocation Grantline Road	2,670,898	-	(2,693,627)	(22,729)
TIF Charlestown Road	872,506	-	625,963	1,498,469
Fiduciary Funds - Private Purpose Trust Funds	227,815	-	(4,081)	223,734

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; 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; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

CITY OF NEW ALBANY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

Retiree Prescription Insurance

The City has chosen to establish a risk financing fund for risks associated with prescription drugs for retirees. 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 applicable retirees previously paid from each fund.

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

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 the 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 negotiated payments due in 2009 totaled \$3,530,330.54. 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.

C. Action to Enforce the Federal Consent Decree

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

A complete formal response to the United States' motion was filed on behalf of the City on July 20, 1998. An "Amended Consent Decree" was approved and formally filed in the U.S. District Court on May 3, 2002, indicating that the City and the United States have reached a settlement in principle, which reduces the penalty to \$180,000. This penalty was paid in three \$60,000 installments over two years. The final payment of this obligation was made by the City on July 7, 2004. Remedial measures will take the form of upgrades at the Wastewater Treatment Facility and a significant addition to the collection system in the form of a force main to address additions to the

CITY OF NEW ALBANY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

D. Subsequent Events

On January 21, 2010, the City of New Albany was awarded a \$6,757,091 Neighborhood Stabilization Program Grant from the Indiana Housing and Community Development Authority. The City will utilize the funds for the acquisition, rehabilitation, and resale of forty homes currently in foreclosure, abandoned or in disrepair in the City's S. Ellen Jones Neighborhood. Funds will also be used to construct ten new homes in the neighborhood. Homes will be marketed and sold to first-time home buyers including a priority to households at or below 50% Area Median Income (AIM).

CITY OF NEW ALBANY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

On May 14, 2010, the City of New Albany and the Indiana Department of Transportation (INDOT) entered into an agreement whereas the INDOT has agreed to transfer 4.53 miles of State Road 111 (S.R. 111) from State Street to Mt. Tabor Road to the City. As part of the exchange, the City has agreed to assume responsibility for all future maintenance, liability and regulation of the road transferred. In exchange for accepting the transferred road, INDOT has agreed to pay the City a lump sum amount of \$6,125,000 which must be used exclusively for the maintenance, construction, reconstruction, repair and regulation of the transferred road.

On April 18, 2010, the Common Council approved Ordinance G-10-18 authorizing the issuance of up to \$7,400,000 in Sewage Works Revenue Bonds to provide financing for improvements to the wastewater system. The Ordinance also provides authorization, upon approval by the State's Revolving Loan Program, the reamortization of the State Revolving Loan issued in 2006. As of August 25, 2010, bonds have not been issued and final approval has not been received by the State's Revolving Loan program for the reamortization.

E. Contingent Liabilities

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. vs. the City of New Albany. The suit arose from a contract dispute over the calculation of legal fees owed to the plaintiff 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, 2010, there has not been a ruling on the appeal.

In February 2004, New Albany DVD (DVD), filed suit against the City. New Albany DVD is a sexually oriented business that intends to operate in the City. The business intends to sell sexually oriented material. The City issued a stop work order on the business in February 2004 due to failure to apply for the necessary zoning applications. DVD immediately filed suit in Federal Court claiming numerous constitutional violations. As of August 25, 2010, the lawsuit is pending in front of the Southern District of Indiana Court for trial. Federal Statutes permit attorney fees, and lost profits to potentially be awarded to a successful plaintiff when they make constitutional arguments such as DVD. It is estimated that these costs could run between \$200,000 to \$400,000. The City intends to pursue all legal avenues to enforce its zoning code as applied throughout the City.

F. Conduit Debt Obligation

Economic Development Commission, Industrial Revenue Bonds

The City has issued conduit debt (no commitment debt) 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, except for the Kemper Foods, International, LLC economic development bonds issued in 2009. Accordingly, the bonds are not reported as debt on the Schedule of Long-Term Debt, except for the economic development bonds issued on behalf of Kemper Foods, International, LLC.

CITY OF NEW ALBANY  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

As of December 31, 2009, the aggregate principal amount payable for series issued on or after July 1, 1995, was \$25,314,185. The aggregate principal amount payable for series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$13,200,000.

Capital Development Tourism Revenue Bonds

The City has issued conduit debt (no commitment debt) to provide financial assistance for projects that promote tourism. 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, 2009, the Capital Development Tourism Fund Revenue Bonds had an outstanding aggregate principal amount payable of \$726,265.

G. Termination Benefits

The City provides termination health insurance benefits up to the age of 65, 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 87 retirees meet these eligibility requirements. The City provides a maximum of \$1,274 per month for the termination benefits. Disbursements for these termination benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2009, expenditures of \$579,220 were recognized for termination benefits.

H. Rate Structure – Enterprise Funds

Wastewater Utility

The current rate structure was approved by the City Council as Follows:

<u>Charge</u>	<u>Ordinance</u>	<u>Date</u>
Sewage disposal	G-10-13	04-15-10
Sanitation	G-09-36	09-17-09
Tap-in	G-08-34	10-06-08
Storm water	G-09-32	08-20-09

I. Receipts Pledged

Wastewater Utility Receipts Pledged

The City has pledged future operating receipts, net of specified operating expenditures, to repay revenue bonds issued in 1998. Proceeds from the bonds provided financing for improvements to the wastewater system. The bonds are payable solely from operating net receipts and are payable through 2018.

CITY OF NEW ALBANY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The City has pledged future operating receipts, net of specified operating expenditures, to repay revenue bonds issued in 2003. Proceeds from the bonds provided financing for improvements to the wastewater system. The bonds are payable solely from operating net receipts and are payable through 2013.

The City has pledged future operating receipts, net of specified operating expenditures, to repay revenue bonds issued in 2006. Proceeds from the bonds provided financing for improvements to the wastewater system. The bonds are payable solely from operating net receipts and are payable through 2018.

The City has pledged future operating receipts, net of specified operating expenditures, to repay a Bond Anticipation Note (BAN) issued in 2007. Proceeds from the BAN provided financing for improvements to the wastewater system. The BAN is payable solely from operating net receipts and is payable through 2011.

The City has pledged future operating receipts, net of specified operating expenditures, to repay a Community Wastewater Loan issued in 1998. Proceeds from the loan provided financing for improvements to the wastewater system. The bonds are payable solely from operating net receipts and are payable through 2018.

The City has pledged future operating receipts, net of specified operating expenditures, to repay a State Revolving Loan issued in 2002. Proceeds from the loan provided financing for improvements to the wastewater system. The bonds are payable solely from operating net receipts and are payable through 2023.

The City has pledged future operating receipts, net of specified operating expenditures, to repay a State Revolving Loan issued in 2006. Proceeds from the loan provided financing for improvements to the wastewater system. The bonds are payable solely from operating net receipts and are payable through 2023.

Tax Increment Financing Receipts Pledged

The City has pledged a portion of property tax revenue receipts to repay \$2,200,000 in tax increment bonds issued in 2005 to finance public improvements and economic development within the Charlestown Road TIF district. The bonds are payable solely from the incremental property tax revenue generated by the allocation area. Incremental property tax revenue was projected to produce 100 percent of the debt service requirements over the life of the bonds.

The City has pledged a portion of property tax revenue receipts to repay \$2,995,000 in tax increment bonds issued in 2007 to finance public improvements and economic development within the State Street TIF district. The bonds are payable solely from the incremental property tax revenue generated by the allocation area. Incremental property tax revenue was projected to produce 100 percent of the debt service requirements over the life of the bonds.

The City has pledged a portion of property tax revenue receipts to repay \$2,140,000 in tax increment bonds issued in 2008 to finance public improvements and economic development within the State Street Garage TIF district. The bonds are payable solely from the incremental property tax revenue generated by the allocation area. Incremental property tax revenue was projected to produce 100 percent of the debt service requirements over the life of the bonds.

CITY OF NEW ALBANY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The City has pledged a portion of property tax revenue receipts to repay \$6,480,000 in tax increment bonds issued in 2008 to finance public improvements and economic development within the Grantline Road and Park East Industrial TIF districts. The bonds are payable solely from the incremental property tax revenue generated by the allocation area.

The City has pledged a portion of property tax revenue receipts to fund the debt reserve for \$625,000 in economic development revenue bonds issued in 2009 on behalf of Kemper Foods, International, LLC (Kemper). The bonds were issued for economic development assistance to Kemper, which is located within the Park East TIF district. The reserve is to be funded from incremental property tax revenues from the Park East TIF district in an amount equal to the principal amount of bonds outstanding plus six months of accrued interest. As of December 31, 2009, the reserve requirement was \$639,271 and had been fully funded by the City. Bond payments are being made by Kemper and the reserve serves as a surety should Kemper default on the bond payments.

Economic Development Income Tax (EDIT) Receipts Pledged

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.

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.

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:

CITY OF NEW ALBANY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the City during the period were \$125,512.

b. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11. The State of Indiana has contributed \$2,289,299 on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

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.

CITY OF NEW ALBANY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11. The State of Indiana has contributed \$2,829,080 on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

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 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

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

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 during the period were \$1,420,905.

CITY OF NEW ALBANY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
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%
07-01-09	3,703,150	4,231,820	(528,670)	88%	3,349,476	(16%)

1925 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)
01-01-04	\$ 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%)
01-01-09	463,070	28,140,100	(27,677,030)	2%	*	*

1937 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)
01-01-04	\$ 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%)
01-01-09	(596,125)	38,174,500	(38,770,625)	(2%)	*	*

\*Information not available

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	12-31-04	\$ 3,338,700	24%	31%
	12-31-05	2,161,300	29%	47%
	12-31-06	186,700	27%	73%
	12-31-07	1,719,200	27%	124%
	12-31-08	1,591,600	24%	27%
	12-31-09	2,102,900	22%	87%
1937 Firefighters' Pension Plan	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%
	12-31-09	2,852,700	18%	81%

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, 2009

	Motor Vehicle Highway	Local Road And Street	Street Maintenance and Parking Meter	Park Nonreverting Operating	Donations	Abandoned Vehicles	Local Law Grant
<b>Receipts:</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	1,039,525	404,433	-	-	-	-	80,723
Charges for services	330,771	-	-	143,100	-	68,686	-
Fines and forfeits	-	-	67,856	-	-	-	-
Other	31,759	-	2,755	159,033	21,936	-	-
<b>Total receipts</b>	<b>1,402,055</b>	<b>404,433</b>	<b>70,611</b>	<b>302,133</b>	<b>21,936</b>	<b>68,686</b>	<b>80,723</b>
<b>Disbursements:</b>							
General government	-	-	-	-	32,739	-	-
Public safety	-	-	84,209	-	-	80,877	-
Highways and streets	1,224,185	179,971	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	256,886	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
<b>Debt service:</b>							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
<b>Capital outlay:</b>							
General government	-	-	-	-	-	-	-
Public safety	-	-	7,650	-	-	-	73,069
Highways and streets	-	318,819	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>1,224,185</b>	<b>498,790</b>	<b>91,859</b>	<b>256,886</b>	<b>32,739</b>	<b>80,877</b>	<b>73,069</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>177,870</b>	<b>(94,357)</b>	<b>(21,248)</b>	<b>45,247</b>	<b>(10,803)</b>	<b>(12,191)</b>	<b>7,654</b>
<b>Other financing sources (uses):</b>							
Net proceeds from borrowings	-	-	-	-	-	-	-
Other receipts	-	64,855	-	41,925	-	32,639	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>64,855</b>	<b>-</b>	<b>41,925</b>	<b>-</b>	<b>32,639</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>177,870</b>	<b>(29,502)</b>	<b>(21,248)</b>	<b>87,172</b>	<b>(10,803)</b>	<b>20,448</b>	<b>7,654</b>
Cash and investment fund balance - beginning	(114,951)	298,610	48,483	149,092	85,662	10,067	66,611
<b>Cash and investment fund balance - ending</b>	<b>\$ 62,919</b>	<b>\$ 269,108</b>	<b>\$ 27,235</b>	<b>\$ 236,264</b>	<b>\$ 74,859</b>	<b>\$ 30,515</b>	<b>\$ 74,265</b>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Restricted assets:</b>							
Cash and investments	62,919	269,108	27,235	236,264	74,859	30,515	74,265
<b>Total cash and investment assets - ending</b>	<b>\$ 62,919</b>	<b>\$ 269,108</b>	<b>\$ 27,235</b>	<b>\$ 236,264</b>	<b>\$ 74,859</b>	<b>\$ 30,515</b>	<b>\$ 74,265</b>
<b>Cash and Investment Fund Balance - Ending</b>							
<b>Restricted for:</b>							
General government	\$ -	\$ -	\$ -	\$ -	\$ 74,859	\$ -	\$ -
Public safety	-	-	27,235	-	-	30,515	74,265
Highways and streets	62,919	269,108	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	236,264	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 62,919</b>	<b>\$ 269,108</b>	<b>\$ 27,235</b>	<b>\$ 236,264</b>	<b>\$ 74,859</b>	<b>\$ 30,515</b>	<b>\$ 74,265</b>

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, 2009  
 (Continued)

	Law Enforcement Continuing Education	Unsafe Building	Riverboat	Drainage Maintenance	Interest Federal Equity	Park and Recreation	EMS
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 763,470	\$ -
Licenses and permits	16,330	-	-	-	-	-	-
Intergovernmental	-	-	1,064,535	-	-	43,831	-
Charges for services	15,822	-	-	-	-	26,087	540,282
Fines and forfeits	-	-	-	-	-	-	-
Other	600	1,360	-	-	31	21,896	-
<b>Total receipts</b>	<b>32,752</b>	<b>1,360</b>	<b>1,064,535</b>	<b>-</b>	<b>31</b>	<b>855,284</b>	<b>540,282</b>
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	5,080	13,277	-	-	-	-	587,826
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	1,003,232	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	126,733	-	-	-	-
Interest	-	-	13,598	-	-	-	-
Capital outlay:							
General government	-	-	554,820	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>5,080</b>	<b>13,277</b>	<b>695,151</b>	<b>-</b>	<b>-</b>	<b>1,003,232</b>	<b>587,826</b>
Excess (deficiency) of receipts over disbursements	27,672	(11,917)	369,384	-	31	(147,948)	(47,544)
Other financing sources (uses):							
Net proceeds from borrowings	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	25,640	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,640</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	27,672	(11,917)	369,384	-	31	(122,308)	(47,544)
Cash and investment fund balance - beginning	6,647	45,732	1,774,425	39,113	20,137	(208,008)	174,675
Cash and investment fund balance - ending	<u>\$ 34,319</u>	<u>\$ 33,815</u>	<u>\$ 2,143,809</u>	<u>\$ 39,113</u>	<u>\$ 20,168</u>	<u>\$ (330,316)</u>	<u>\$ 127,131</u>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ -	\$ -	\$ 2,143,809	\$ -	\$ -	\$ (330,316)	\$ -
Restricted assets:							
Cash and investments	34,319	33,815	-	39,113	20,168	-	127,131
<b>Total cash and investment assets - ending</b>	<u>\$ 34,319</u>	<u>\$ 33,815</u>	<u>\$ 2,143,809</u>	<u>\$ 39,113</u>	<u>\$ 20,168</u>	<u>\$ (330,316)</u>	<u>\$ 127,131</u>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ 39,113	\$ -	\$ -	\$ -
Public safety	34,319	33,815	-	-	20,168	-	127,131
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	-	2,143,809	-	-	(330,316)	-
<b>Total cash and investment fund balance - ending</b>	<u>\$ 34,319</u>	<u>\$ 33,815</u>	<u>\$ 2,143,809</u>	<u>\$ 39,113</u>	<u>\$ 20,168</u>	<u>\$ (330,316)</u>	<u>\$ 127,131</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, 2009  
 (Continued)

	Rainy Day	Redevelopment Tax Abatement	Redevelopment Rental Rehabilitation	Communications Nonreverting	Community Promotions Nonreverting	Crimes Against Children	Farmer's Market
<b>Receipts:</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	906,504	-	-	-	-	-	-
Charges for services	-	13,373	-	-	-	-	-
Fines and forfeits	-	-	-	-	3,836	-	-
Other	-	-	12	-	-	-	-
<b>Total receipts</b>	<b>906,504</b>	<b>13,373</b>	<b>12</b>	<b>-</b>	<b>3,836</b>	<b>-</b>	<b>-</b>
<b>Disbursements:</b>							
General government	-	-	-	-	7,995	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	1,130	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	8,216	24	-	-	-	-
<b>Debt service:</b>							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
<b>Capital outlay:</b>							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>9,346</b>	<b>24</b>	<b>-</b>	<b>7,995</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>906,504</b>	<b>4,027</b>	<b>(12)</b>	<b>-</b>	<b>(4,159)</b>	<b>-</b>	<b>-</b>
<b>Other financing sources (uses):</b>							
Net proceeds from borrowings	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>906,504</b>	<b>4,027</b>	<b>(12)</b>	<b>-</b>	<b>(4,159)</b>	<b>-</b>	<b>-</b>
Cash and investment fund balance - beginning	445,752	49,170	20,513	15,336	12,883	22	1,000
Cash and investment fund balance - ending	<u>\$ 1,352,256</u>	<u>\$ 53,197</u>	<u>\$ 20,501</u>	<u>\$ 15,336</u>	<u>\$ 8,724</u>	<u>\$ 22</u>	<u>\$ 1,000</u>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 1,352,256	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Restricted assets:</b>							
Cash and investments	-	53,197	20,501	15,336	8,724	22	1,000
<b>Total cash and investment assets - ending</b>	<b>\$ 1,352,256</b>	<b>\$ 53,197</b>	<b>\$ 20,501</b>	<b>\$ 15,336</b>	<b>\$ 8,724</b>	<b>\$ 22</b>	<b>\$ 1,000</b>
<b>Cash and Investment Fund Balance - Ending</b>							
<b>Restricted for:</b>							
General government	\$ -	\$ -	\$ -	\$ -	\$ 8,724	\$ -	\$ 1,000
Public safety	-	-	-	15,336	-	22	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	53,197	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	20,501	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	1,352,256	-	-	-	-	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 1,352,256</b>	<b>\$ 53,197</b>	<b>\$ 20,501</b>	<b>\$ 15,336</b>	<b>\$ 8,724</b>	<b>\$ 22</b>	<b>\$ 1,000</b>

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, 2009  
 (Continued)

	Fire Contract Runs	New Directions	Animal Control Nonreverting	Police Drug Fund	Redevelopment Home Improvement	Reserve Liability Insurance
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,438
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	2,155
Charges for services	37,500	-	11,388	-	-	-
Fines and forfeits	-	-	8,480	-	-	-
Other	11,010	39,854	660	-	-	3,806
<b>Total receipts</b>	<b>48,510</b>	<b>39,854</b>	<b>20,528</b>	<b>-</b>	<b>-</b>	<b>43,399</b>
<b>Disbursements:</b>						
General government	-	-	8,125	-	-	124,251
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	39,854	-	-	7,288	-
<b>Debt service:</b>						
Principal	19,681	-	-	-	-	-
Interest	2,635	-	-	-	-	-
<b>Capital outlay:</b>						
General government	-	-	1,350	-	-	-
Public safety	34,330	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
<b>Total disbursements</b>	<b>56,646</b>	<b>39,854</b>	<b>9,475</b>	<b>-</b>	<b>7,288</b>	<b>124,251</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(8,136)</b>	<b>-</b>	<b>11,053</b>	<b>-</b>	<b>(7,288)</b>	<b>(80,852)</b>
<b>Other financing sources (uses):</b>						
Net proceeds from borrowings	-	-	-	-	-	-
Other receipts	-	-	-	-	25,479	165,000
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,479</b>	<b>165,000</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>(8,136)</b>	<b>-</b>	<b>11,053</b>	<b>-</b>	<b>18,191</b>	<b>84,148</b>
Cash and investment fund balance - beginning	42,600	197	38,051	859	24,470	212,285
<b>Cash and investment fund balance - ending</b>	<b>\$ 34,464</b>	<b>\$ 197</b>	<b>\$ 49,104</b>	<b>\$ 859</b>	<b>\$ 42,661</b>	<b>\$ 296,433</b>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Restricted assets:</b>						
Cash and investments	34,464	197	49,104	859	42,661	296,433
<b>Total cash and investment assets - ending</b>	<b>\$ 34,464</b>	<b>\$ 197</b>	<b>\$ 49,104</b>	<b>\$ 859</b>	<b>\$ 42,661</b>	<b>\$ 296,433</b>
<b>Cash and Investment Fund Balance - Ending</b>						
<b>Restricted for:</b>						
General government	\$ -	\$ -	\$ 49,104	\$ -	\$ -	\$ 296,433
Public safety	34,464	-	-	859	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	197	-	-	42,661	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 34,464</b>	<b>\$ 197</b>	<b>\$ 49,104</b>	<b>\$ 859</b>	<b>\$ 42,661</b>	<b>\$ 296,433</b>

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, 2009  
 (Continued)

	State Street Garage Nonreverting	Storm Water	TIF Park East Industrial	TIF State Street	TIF State Street Garage	Tree Board Nonreverting
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ 1,121,596	\$ 1,202,087	\$ 503,672	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	37,771	1,485,303	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	1,720	9,450	2,007	-
<b>Total receipts</b>	<b>37,771</b>	<b>1,485,303</b>	<b>1,123,316</b>	<b>1,211,537</b>	<b>505,679</b>	<b>-</b>
<b>Disbursements:</b>						
General government	30,070	1,301,316	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	107,500	155,000	35,000	-
Interest	-	-	132,288	114,365	97,143	-
Capital outlay:						
General government	-	85,570	-	-	376,522	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	737,232	288,094	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
<b>Total disbursements</b>	<b>30,070</b>	<b>1,386,886</b>	<b>977,020</b>	<b>557,459</b>	<b>508,665</b>	<b>-</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>7,701</b>	<b>98,417</b>	<b>146,296</b>	<b>654,078</b>	<b>(2,986)</b>	<b>-</b>
<b>Other financing sources (uses):</b>						
Net proceeds from borrowings	-	-	-	-	-	-
Other receipts	-	-	-	200,000	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200,000</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>7,701</b>	<b>98,417</b>	<b>146,296</b>	<b>854,078</b>	<b>(2,986)</b>	<b>-</b>
Cash and investment fund balance - beginning	100,801	86,157	448,649	2,152,507	447,563	11,638
Cash and investment fund balance - ending	<u>\$ 108,502</u>	<u>\$ 184,574</u>	<u>\$ 594,945</u>	<u>\$ 3,006,585</u>	<u>\$ 444,577</u>	<u>\$ 11,638</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	108,502	184,574	594,945	3,006,585	444,577	11,638
<b>Total cash and investment assets - ending</b>	<b>\$ 108,502</b>	<b>\$ 184,574</b>	<b>\$ 594,945</b>	<b>\$ 3,006,585</b>	<b>\$ 444,577</b>	<b>\$ 11,638</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
General government	\$ 108,502	\$ 184,574	\$ -	\$ -	\$ 444,577	\$ 11,638
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	594,945	3,006,585	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 108,502</b>	<b>\$ 184,574</b>	<b>\$ 594,945</b>	<b>\$ 3,006,585</b>	<b>\$ 444,577</b>	<b>\$ 11,638</b>

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, 2009  
 (Continued)

	Veterinary Nonreverting	Walking Patrol	Parks Nonreverting Shelter House	City Redevelopment	Riverfront Heritage	TIF Old Monon Corridor
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 326,679
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	535,919	-	-
Charges for services	39,889	24,015	12,900	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	-	23,832	58,380	534
<b>Total receipts</b>	<b>39,889</b>	<b>24,015</b>	<b>12,900</b>	<b>559,751</b>	<b>58,380</b>	<b>327,213</b>
<b>Disbursements:</b>						
General government	45,257	-	-	-	55,839	-
Public safety	-	18,900	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	41,893
Culture and recreation	-	-	3,534	-	-	-
Urban redevelopment and housing	-	-	-	165,904	-	-
<b>Debt service:</b>						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
<b>Capital outlay:</b>						
General government	-	-	-	-	-	-
Public safety	-	7,092	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	88	-	-	-
Urban redevelopment and housing	-	-	-	390,376	-	-
<b>Total disbursements</b>	<b>45,257</b>	<b>25,992</b>	<b>3,622</b>	<b>556,280</b>	<b>55,839</b>	<b>41,893</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(5,368)</b>	<b>(1,977)</b>	<b>9,278</b>	<b>3,471</b>	<b>2,541</b>	<b>285,320</b>
<b>Other financing sources (uses):</b>						
Net proceeds from borrowings	-	-	-	-	-	-
Other receipts	-	-	-	6,900	3,650	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,900</b>	<b>3,650</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>(5,368)</b>	<b>(1,977)</b>	<b>9,278</b>	<b>10,371</b>	<b>6,191</b>	<b>285,320</b>
Cash and investment fund balance - beginning	84,433	38,336	43,480	444	4,003	-
Cash and investment fund balance - ending	<u>\$ 79,065</u>	<u>\$ 36,359</u>	<u>\$ 52,758</u>	<u>\$ 10,815</u>	<u>\$ 10,194</u>	<u>\$ 285,320</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Restricted assets:</b>						
Cash and investments	79,065	36,359	52,758	10,815	10,194	285,320
<b>Total cash and investment assets - ending</b>	<b>\$ 79,065</b>	<b>\$ 36,359</b>	<b>\$ 52,758</b>	<b>\$ 10,815</b>	<b>\$ 10,194</b>	<b>\$ 285,320</b>
<b>Cash and Investment Fund Balance - Ending</b>						
<b>Restricted for:</b>						
General government	\$ 79,065	\$ -	\$ -	\$ -	\$ 10,194	\$ -
Public safety	-	36,359	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	285,320
Culture and recreation	-	-	52,758	-	-	-
Urban redevelopment and housing	-	-	-	10,815	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 79,065</b>	<b>\$ 36,359</b>	<b>\$ 52,758</b>	<b>\$ 10,815</b>	<b>\$ 10,194</b>	<b>\$ 285,320</b>

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, 2009  
 (Continued)

	TIF Grant Line Debt Reserve	TIF Spring Street Hill Debt Reserve	Kemper Foods TIF Pledge	TIF Charlestown Road Debt Reserve	Park Cumulative Building	Cumulative Capital Improvement
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 124,190	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	6,236	115,303
Charges for services	-	-	-	-	26,087	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	639,271	-	3,000	548
<b>Total receipts</b>	<b>-</b>	<b>-</b>	<b>639,271</b>	<b>-</b>	<b>159,513</b>	<b>115,851</b>
<b>Disbursements:</b>						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
<b>Debt service:</b>						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
<b>Capital outlay:</b>						
General government	-	-	-	-	-	263,631
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	118,870	-
Urban redevelopment and housing	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>118,870</b>	<b>263,631</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>-</b>	<b>-</b>	<b>639,271</b>	<b>-</b>	<b>40,643</b>	<b>(147,780)</b>
<b>Other financing sources (uses):</b>						
Net proceeds from borrowings	-	-	-	-	-	-
Other receipts	19,557	-	-	-	-	620
<b>Total other financing sources (uses)</b>	<b>19,557</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>620</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>19,557</b>	<b>-</b>	<b>639,271</b>	<b>-</b>	<b>40,643</b>	<b>(147,160)</b>
Cash and investment fund balance - beginning	533,016	202,976	-	220,000	256,569	574,363
Cash and investment fund balance - ending	<u>\$ 552,573</u>	<u>\$ 202,976</u>	<u>\$ 639,271</u>	<u>\$ 220,000</u>	<u>\$ 297,212</u>	<u>\$ 427,203</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Restricted assets:</b>						
Cash and investments	552,573	202,976	639,271	220,000	297,212	427,203
<b>Total cash and investment assets - ending</b>	<b>\$ 552,573</b>	<b>\$ 202,976</b>	<b>\$ 639,271</b>	<b>\$ 220,000</b>	<b>\$ 297,212</b>	<b>\$ 427,203</b>
<b>Cash and Investment Fund Balance - Ending</b>						
<b>Restricted for:</b>						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	552,573	202,976	639,271	220,000	-	-
Capital outlay	-	-	-	-	297,212	427,203
Unrestricted	-	-	-	-	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 552,573</b>	<b>\$ 202,976</b>	<b>\$ 639,271</b>	<b>\$ 220,000</b>	<b>\$ 297,212</b>	<b>\$ 427,203</b>

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, 2009  
 (Continued)

	Caesar's Donations	TIF Bond Daisy Lane	Tourism Bond	TIF Bond Spring Street Hill	Coyle Escrow	Totals
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,079,132
Licenses and permits	-	-	-	-	-	16,330
Intergovernmental	-	-	-	-	-	4,199,164
Charges for services	-	-	-	-	-	2,812,974
Fines and forfeits	-	-	-	-	-	80,172
Other	304,351	5,107	-	19,040	-	1,361,952
<b>Total receipts</b>	<b>304,351</b>	<b>5,107</b>	<b>-</b>	<b>19,040</b>	<b>-</b>	<b>12,549,724</b>
<b>Disbursements:</b>						
General government	-	-	-	-	-	1,605,592
Public safety	-	-	-	-	-	790,169
Highways and streets	-	-	-	-	-	1,404,156
Economic development	-	-	-	485,611	-	528,634
Culture and recreation	-	-	-	-	-	1,263,652
Urban redevelopment and housing	-	-	-	-	-	221,286
<b>Debt service:</b>						
Principal	690,000	-	-	-	-	1,133,914
Interest	522,232	-	-	-	-	882,261
<b>Capital outlay:</b>						
General government	46,556	-	-	-	-	1,328,449
Public safety	-	-	-	-	-	122,141
Highways and streets	-	-	-	-	-	318,819
Economic development	-	453,931	675,212	-	-	2,154,469
Culture and recreation	-	-	-	-	-	118,958
Urban redevelopment and housing	-	-	-	-	-	390,376
<b>Total disbursements</b>	<b>1,258,788</b>	<b>453,931</b>	<b>675,212</b>	<b>485,611</b>	<b>-</b>	<b>12,262,876</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(954,437)</b>	<b>(448,824)</b>	<b>(675,212)</b>	<b>(466,571)</b>	<b>-</b>	<b>286,848</b>
<b>Other financing sources (uses):</b>						
Net proceeds from borrowings	-	-	400,000	-	-	400,000
Other receipts	1,000,000	-	96,116	-	20,000	1,702,381
<b>Total other financing sources (uses)</b>	<b>1,000,000</b>	<b>-</b>	<b>496,116</b>	<b>-</b>	<b>20,000</b>	<b>2,102,381</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>45,563</b>	<b>(448,824)</b>	<b>(179,096)</b>	<b>(466,571)</b>	<b>20,000</b>	<b>2,389,229</b>
Cash and investment fund balance - beginning	1,278,172	940,439	190,394	470,509	-	11,343,882
Cash and investment fund balance - ending	\$ 1,323,735	\$ 491,615	\$ 11,298	\$ 3,938	\$ 20,000	\$ 13,733,111
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,165,749
<b>Restricted assets:</b>						
Cash and investments	1,323,735	491,615	11,298	3,938	20,000	10,567,362
<b>Total cash and investment assets - ending</b>	<b>\$ 1,323,735</b>	<b>\$ 491,615</b>	<b>\$ 11,298</b>	<b>\$ 3,938</b>	<b>\$ 20,000</b>	<b>\$ 13,733,111</b>
<b>Cash and Investment Fund Balance - Ending</b>						
<b>Restricted for:</b>						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,307,783
Public safety	-	-	-	-	-	434,488
Highways and streets	-	-	-	-	-	332,027
Economic development	-	491,615	11,298	3,938	-	4,446,898
Culture and recreation	-	-	-	-	-	289,022
Urban redevelopment and housing	-	-	-	-	-	74,174
Debt service	1,323,735	-	-	-	-	2,938,555
Capital outlay	-	-	-	-	20,000	744,415
Unrestricted	-	-	-	-	-	3,165,749
<b>Total cash and investment fund balance - ending</b>	<b>\$ 1,323,735</b>	<b>\$ 491,615</b>	<b>\$ 11,298</b>	<b>\$ 3,938</b>	<b>\$ 20,000</b>	<b>\$ 13,733,111</b>

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, 2009

	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer	\$ 461,984	\$ 518,566	\$ 980,550
Plan members	1,693	2,643	4,336
State	<u>1,827,315</u>	<u>2,310,514</u>	<u>4,137,829</u>
Total additions	<u>2,290,992</u>	<u>2,831,723</u>	<u>5,122,715</u>
Deductions:			
Benefits	1,839,071	2,296,607	4,135,678
Administrative and general	<u>7,129</u>	<u>8,281</u>	<u>15,410</u>
Total deductions	<u>1,846,200</u>	<u>2,304,888</u>	<u>4,151,088</u>
Excess of total additions over total deductions	444,792	526,835	971,627
Cash and investment fund balance - beginning	<u>463,070</u>	<u>(596,125)</u>	<u>(133,055)</u>
Cash and investment fund balance - ending	<u>\$ 907,862</u>	<u>\$ (69,290)</u>	<u>\$ 838,572</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, 2009

	Payroll
Additions:	
Agency fund additions	\$ 22,084,360
Deductions:	
Agency fund deductions	22,180,383
Deficiency of total additions over total deductions	(96,023)
Cash and investment fund balance - beginning	774,323
Cash and investment fund balance - ending	\$ 678,300

CITY OF NEW ALBANY  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT  
December 31, 2009

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	\$ 246,408	\$ 144,559
Scribner Aquatic Center	12,060,000	1,226,762
Revenue bonds:		
2005 TIF bonds Charlestown Road improvements	1,440,000	268,777
2007 TIF bonds State Street Road improvements	2,695,000	267,869
2008 TIF bonds Grantline Road/Park East Industrial Park Road improvements	6,265,000	524,627
2008 TIF bonds redevelopment district	2,105,000	199,340
2009 Economic revenue bonds - Kemper Foods	625,000	112,727*
<b>Total governmental activities debt</b>	<b><u>\$ 25,436,408</u></b>	<b><u>\$ 2,744,661</u></b>
Business-type activities:		
Wastewater Utility:		
Capital leases:		
Aquatech combination sewer cleaner	\$ 100,019	\$ 36,824
Notes and loans payable:		
Community wastewater loan program build Indiana loan	281,984	36,048
2002 State revolving loan	33,183,001	2,282,039
2006 State revolving loan	1,124,000	106,398
2007 Bond anticipation note	1,315,000	55,888
Revenue bonds:		
Wastewater 1998 repair and replacement	2,125,000	290,334
Wastewater 2003 refunding	4,860,000	1,233,956
Wastewater 2006 refunding	9,620,000	742,712
<b>Total business-type activities debt</b>	<b><u>\$ 52,609,004</u></b>	<b><u>\$ 4,784,199</u></b>

\* - Bond payments are made by Kemper Foods International, LLC. As part of the bond agreement, the City has pledged tax increment revenue receipts to cover the debt should Kemper Foods International, LLC. default on the bonds. The City is required to maintain in reserve an amount equal to the principal amount of outstanding bonds plus six months of accrued interest.

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 nineteen 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.

A review of the December 31, 2009 bank reconciliation noted the following errors and deficiencies:

- a. An incorrect bank balance was used in the reconciliation for one of the City's bank accounts. The bank balance used was \$30,000 more than the actual amount on the bank statement.
- b. The outstanding checks list used in the reconcilements included \$149,827 in checks that had actually cleared the bank prior to December 31, 2009.
- c. The reconciling amounts used for collections deposited in the bank but not posted to the ledger included \$65,391 in collections that had actually been posted to the ledger prior to December 31, 2009.
- d. The bank reconcilements included reconciling items for transactions that dated back to December 2008. These reconciling items were not being investigated and were simply carried forward from one month to the next. All reconciling items should be investigated and resolved in the subsequent month in which it occurs.

As a result of undetected errors as of December 31, 2009, the City has \$425,897 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)

CITY OF NEW ALBANY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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. Transactions were not being posted to the ledger timely. Sewer Collections totaling \$411,415 that had been deposited in the bank during the period of December 2008 to December 2009 were not posted to the records until April 2010. Returned checks totaling \$1,550 received by the City in August of 2009 were not posted to the City's ledger until June 2010. Returned checks totaling \$3,009 received during the period of March 2009 to December 2009 for sewer collections were not posted to the City's ledger until March 2010.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

3. There were a considerable number of posting errors. These errors included receipts totaling \$118,783 that were posted to the ledger twice and a receipt that was written and posted to the ledger for \$3,000 more than the actual amount of the collections.

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)

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. During 2009, several journal entries were made by the City that did not contain adequate documentation. Information provided for the journal entries noted that these entries were made to correct the cash balances of specific funds. There was no documentation to support why the cash balances of these funds were being corrected or specific errors identified to support the correction. These journal entries increased net cash balances by \$411,742.

CITY OF NEW ALBANY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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)

5. Interest of \$23,405 earned on investments during 2009 was automatically added to the principal and not recorded in the records.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FINANCIAL REPORT OPINION MODIFICATION

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 were incomplete.
2. Some financial transactions were not posted to the financial records timely.
3. Numerous posting errors were uncorrected.
4. Journal entries to correct cash balances were made without supporting documentation.

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 rates 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 2009:

<u>Fund</u>	<u>2009</u>
General	\$ 5,343,770
Park and Recreation	330,316

CITY OF NEW ALBANY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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:

Fund	Excess Amount Expended
General	\$ 786,769
Motor Vehicle Highway	238,736
Riverfront Heritage	5,839
Total	\$ 1,031,344

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

During 2009, temporary transfers of \$1,500,000 were made from the TIF Allocation Fund to the General Fund without an ordinance or resolution being approved by the Common Council.

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

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision. . . ."

BOND ORDINANCE REQUIREMENTS

Revenue Bond Ordinances G-98-284, G-03-03 and G-06-3, which governs 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 2009, transfers were not being made monthly, and as a result, the Bond and Interest Fund at December 31, 2009, was underfunded.

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)

DELINQUENT WASTEWATER ACCOUNTS

As of December 31, 2009, delinquent wastewater fees and penalties due and unpaid in excess of 90 days, totaling \$767,571, 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 2009, \$99,817 in delinquent wastewater fees and penalties 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:

"(a) An officer described in subsection (b) may defer enforcing the collection of unpaid fees and penalties assessed under this chapter until the unpaid fees and penalties have been due and unpaid for at least ninety (90) days.

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

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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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, 2009. 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, 2009.

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

August 25, 2010

CITY OF NEW ALBANY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2009

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct grant			
CDBG - Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.218		
FY 07		B-07-MC-18-0018	\$ 506,024
FY 08		B-08-MC-18-0018	<u>25,167</u>
Total for program			<u>531,191</u>
ARRA - Community Development Block Grant ARRA Entitlement (CDBG-R)(Recovery Act Funded)	14.253		
FY 09		B-09-MY-18-0018	<u>4,728</u>
Total for federal grantor agency			<u>535,919</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Pass-Through Indiana Department of Natural Resources			
National Register of Historic Places	15.914		
Hedden Park/Hedden Court Historic District		21820-2	<u>1,296</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct grant			
Public Safety Partnership and Community Policing Grants	16.710	2008CKWX0325	<u>73,069</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		
FY 09		PT-09-04-01-43	17,044
FY 10		PT-10-04-04-41	1,947
FY 10		K4-2010-08-01-05	<u>2,951</u>
Total for program			<u>21,942</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 1828	<u>426,431</u>
Total federal awards expended			<u>\$ 1,058,657</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 cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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, 2009:

Program Title	Federal CFDA Number	2009
Community Development Block Grants/Entitlement Grants:	14.218	
New Directions Housing Corporation		\$ 133,103
Community Housing Development Corporation		12,000
New Albany-Floyd County Consolidated School Corporation		29,635
Paddlewheel Producers, Inc.		1,500
Indiana University Southeast		3,000

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?	yes

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
	CDBG Entitlement Grants Cluster

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 2009-1, 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 reconcilements performed consisted of verifying source documents (quietuses and checks) to deposits and checks clearing depositories each month, for each of the City's nineteen 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.

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

A review of the December 31, 2009 bank reconciliation noted the following errors and deficiencies:

- a. An incorrect bank balance was used in the reconciliation for one of the City's bank accounts. The bank balance used was \$30,000 more than the actual amount on the bank statement.
- b. The outstanding checks list used in the reconciliations included \$149,827 in checks that had actually cleared the bank prior to December 31, 2009.
- c. The reconciling amounts used for collections deposited in the bank but not posted to the ledger included \$65,391 in collections that had actually been posted to the ledger prior to December 31, 2009.
- d. The bank reconciliations included reconciling items for transactions that dated back to December 2008. These reconciling items were not being investigated and were simply carried forward from one month to the next. All reconciling items should be investigated and resolved in the subsequent month in which it occurs.

As a result of undetected errors as of December 31, 2009, the City has \$425,897 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)

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

2. Transactions were not being posted to the ledger timely. Sewer Collections totaling \$411,415 that had been deposited in the bank during the period of December 2008 to December 2009 were not posted to the records until April 2010. Returned checks totaling \$1,550 received by the City in August of 2009 were not posted to the City's ledger until June 2010. Returned checks totaling \$3,009 received during the period of March 2009 to December 2009 for sewer collections were not posted to the City's ledger until March 2010.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

3. There were a considerable number of posting errors. These errors included receipts totaling \$118,783 that were posted to the ledger twice and a receipt that was written and posted to the ledger for \$3,000 more than the actual amount of the collections.

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)

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. During 2009, several journal entries were made by the City that did not contain adequate documentation. Information provided for the journal entries noted that these entries were made to correct the cash balances of specific funds. There was no documentation to support why the cash balances of these funds were being corrected or specific errors identified to support the correction. These journal entries increased net cash balances by \$411,742.

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)

5. Interest of \$23,405 earned on investments during 2009 was automatically added to the principal and not recorded in the records.

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

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

We recommend the City:

1. Properly complete monthly cash reconcilements 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 and investigate timely any discrepancies between bank transactions and transactions recorded in the City's ledger.
3. Use prescribed or approved forms in the manner prescribed to prevent invalid transactions, inaccurate records and financial statements.
4. Limit the use of journal entries by recording transactions in to the financial records through the use of checks and receipts. Require proper supporting documentation for all journal entries made.
5. Require interest on investments be paid to the governmental unit at each maturity date and promptly post interest to the appropriate fund.

FINDING 2009-2. 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:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the City to reduce risks to achievement of financial reporting objectives. The City has not separated incompatible actives related to disbursements and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to undetected.
2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statements and then determining how those identified risks should be managed. The City has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.

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

3. **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 recommend:

1. The City develops and establishes controls to minimize the risk associated with activities relating to disbursements and cash and investment balances
2. 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.
3. 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  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



FOUNDED 1813

# City of New Albany

Kathlyn M. Garry  
City Controller

## CORRECTIVE ACTION PLAN

TO: INDIANA STATE BOARD OF ACCOUNTS  
FROM: KATHLYN M. GARRY  
SUBJECT: FINDING 2009-1 CONDITION OF RECORDS  
DATE: AUGUST 4, 2010

YOUR AUDITOR CAN ASSURE YOU, IF HE WILL, THAT THE PROCESSES SET OUT AFTER THE 2008 AUDIT EITHER HAVE BEEN IMPLEMENTED OR ARE BEING IMPLEMENTED. WE HAVE NOT STOPPED WORKING ON THE MANY CORRECTIONS STATED IN THE "CORRECTIVE ACTION PLAN" DATED 9/29/09. THE CITY HAS ACTUALLY HIRED A CONTRACTUAL EMPLOYEE TO HELP IN THE PROCESS AND YOUR AUDITOR HAS BEEN WORKING WITH HER OVER THE PAST 4 AND ½ MONTHS.

AS YOU WELL KNOW, ALSO, THAT THE ANNUAL REPORT FOR 2008 WAS ELECTRONICALLY DONE BY YOUR SBA AUDITOR. THE 2009 WAS DONE BY THE CONTROLLER AND WAS A LEARNING PROCESS WITH A PROGRAM THAT DID NOT ALWAYS WORK AS STATED. THE BEGINNING BALANCES DID NOT CARRY FORWARD FROM 2008, AND THE SBA GAVE THE CONTROLLER PRINTED BEGINNING BALANCES TO USE. I AM CONFIDENT THAT THE 2010 ANNUAL REPORT WILL GO MUCH MORE SMOOTHLY.

IT IS THE CITY'S CONTENTION THAT THE CONTINUED EFFORTS AND COSTS TO THE CITY WILL HELP THE CITY MAINTAIN THE ACCURATE RECORDS IT STRIVES TO PRODUCE. HOPEFULLY, YOUR AUDITOR WILL NOT HAVE TO COPY AND PASTE NEW NUMBERS IN THE 2010 AUDIT.

  
Kathlyn M. Garry Controller

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



# City of New Albany

Kathlyn M. Garry  
City Controller

## CORRECTIVE ACTION PLAN

FROM: KATHLYN M. GARRY

SUBJECT: FINDING 2009-2 INTERNAL CONTROLS OVER FINANCIAL  
TRANSACTIONS AND RECORDS

DATE: AUGUST 4, 2010

THE CORRECTION ACTION PLAN DATED 9/29/10 IS A CONTINUED WORK  
PLAN IN PROGRESS.

IT IS THE CITY'S CONTENTION THAT THE CONTINUED EFFORTS AND COSTS  
TO THE CITY WILL HELP THE CITY MAINTAIN THE ACCURATE RECORDS IT  
STRIVES TO PRODUCE ON A DAILY BASIS WITH THE STAFF ON HAND. THE  
CITY HAS HIRED A CONTRACTUAL PERSON TO WORK WITH THE STATE  
BOARD OF ACCOUNTS AUDITOR SPECIFICALLY TO PRODUCE THE  
ACCURATE RECORDS THAT HE CONTENDS ARE LACKING.

  
Kathlyn M. Garry, Controller

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

CITY OF NEW ALBANY  
EXIT CONFERENCE

The contents of this report were discussed on August 25, 2010, with Kathlyn M. Garry, Controller; Douglas B. England, Mayor; Carl E. Malysz, Deputy Mayor/Director of Community Development; John D. Gonder, President of the Common Council; Diane Benedetti, Council member; and Robert E. Caesar, Council member. The official response has been made a part of this report and may be found on pages 61 and 62.



FOUNDED 1813

# City of New Albany

Kathlyn M. Garry  
City Controller

August 31, 2010

## CITY OF NEW ALBANY OFFICIAL RESPONSE TO 2009 AUDIT

State Board of Accounts  
Indianapolis, Indiana 46204

Gentlemen and Ladies:

I feel compelled to respond to your agency's audit of the City of New Albany . The audit covering 2009 shows seven (7) deficiencies. In the 2008 audit there were nineteen (19) deficiencies noted. Needless to say such improvement took hard work on this administration's part. The changes and corrections have been made to the 2009 records, but the good things accomplished are not mentioned by your auditor.

I will not detail item by item, but will state to you that the city's work continues to rectify any and all deficiencies. Although your auditor does not mention this in the audit for 2009, the city has gone to added expense to have all bank reconciliations looked at going back to 2003 when one computer system was converted into the current system in use. I was not here when that system was purchased, nor when the conversation was done. Many funds were started with incorrect balances and the soft-ware company instituting the current system has been contacted to help in making cash fund balances agree with the State Board of Accounts figures. It needs to be noted that the 2002 and 2003 audits were disclaimed and not completed until 2005. This is to point out that many of the problems are historical, and question if the State Board of Accounts beginning balances are correct because of the above audits. That is what we have to work with so we assume they are correct.

To address the current problems in reconciliations of banks, the postings of revenues, the paying of claims, and other detail work for the city, I have reconfigured the work load in the office. I have also requested to be taken off of all boards so that constant oversight can be a factor with the staff. It obviously is the auditor's conclusion that the mistakes being made will be caught by this constant oversight. Let me hope that will be the case, but it cannot be ignored that human errors do occur, can be caught, and are corrected.

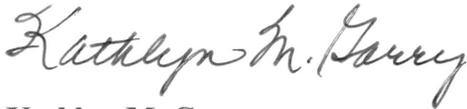
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In not wanting to belabor some of the deficiencies, I do want to point out that in 2009 I was informed by an employee of a State agency that a Resolution from the Council to borrow for cash flow from another fund was not necessary. After the Indiana Code was pointed out, I have gone back to Resolutions to go before the council in 2010.

Under delinquent wastewater accounts, I cannot personally know who has paid and who has not paid their sewer bills. There is a manager in the Sewage Works Office, and yes I do sign off on all liens, but the responsibility of operating the billing office falls within the purview of that manager. I can tell you that in 2009 there were many changes in that department in bringing the billing system back into the city, , the collection system, changing banking systems, etc. In 2010 liens are being filed every ninety (90) days.

Last but not least, all bond payments were made in a timely manner in 2009. Sufficient amounts were available and no bond's interest and/or principal was late or not paid. Monies had been transferred from the operating account into the sinking fund until talks began about rates and new bonding.

Sincerely,

A handwritten signature in cursive script that reads "Kathlyn M. Garry".

Kathlyn M. Garry