

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

ANNUAL FINANCIAL REPORT

2010

CITY OF NEW ALBANY

FLOYD COUNTY, INDIANA



FILED
06/17/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Kathlyn M. Garry	01-01-10 to 12-31-11
Mayor	Douglas B. England	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Matthew B. Dennison	01-01-10 to 12-31-11
President of the Common Council	John D. Gonder Jeff Gahan	01-01-10 to 12-31-10 01-01-11 to 12-31-11
President of the Sewer Board	Roger C. Harbison	01-01-10 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENT
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 statement of the City of New Albany (City), for the year ended December 31, 2010. This financial statement is the responsibility of the City's management. Our responsibility is to express opinions on this financial statement based on our audit.

Except as discussed in the fourth paragraph, 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 statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

We were unable to verify the accuracy of the cash and investment balances because monthly bank reconciliations were incomplete and variances between the reconciled balances and record balances were not always investigated or investigated timely so that the discrepancies could be identified and corrected in a timely manner. Financial transactions were not always posted timely resulting in some transactions being posted to the ledger in the subsequent period. Financial records presented for audit were incomplete and did not include all of the financial transactions of the City. We identified some unrecorded financial transactions through the use of other source documents. With financial transactions not being posted or posted timely, we were unable to verify that all financial transactions have been properly accounted for.

In our opinion, except for the effect of such adjustments, if any, as might have been determined necessary had we been able to examine evidence regarding cash reconciliations, timely recordkeeping, and unrecorded transactions, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2010, on the basis of accounting described in Note 1.

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

In accordance with Government Auditing Standards, we have also issued a report dated May 26, 2011, 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 an opinion on the City's financial statement. 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 financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

The City's response to the Audit Result(s) and Comment(s) 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.

This report is intended solely for the information and use of the City's management, the Common Council, the Board of Public Works and Safety, others within the entity, 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

May 26, 2011



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

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

We have audited the financial statement of the City of New Albany (City), for the year ended December 31, 2010, and have issued our report thereon dated May 26, 2011. The opinion to the financial statement was qualified due to inadequate cash reconcilements, failure to record financial information timely, and failure to record all financial transactions. 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 opinion on the financial statement, 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2010-1 to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is 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 2010-1.

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

This report is intended solely for the information and use of the City's management, the Common Council, the Board of Public Works and Safety, others within the entity, 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

May 26, 2011

FINANCIAL STATEMENT(S)

CITY OF NEW ALBANY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments		Cash and Investments	
	01-01-10	Receipts	Disbursements	12-31-10
General	\$ (5,343,770)	\$ 22,140,345	\$ 19,092,577	\$ (2,296,002)
Motor Vehicle Highway	62,919	1,029,194	1,325,067	(232,954)
Local Road And Street	269,108	668,489	462,059	475,538
Park and Recreation Operating	(330,316)	1,071,972	901,310	(159,654)
Parking Meter	27,235	84,229	95,168	16,296
Park Nonreverting Operating	236,264	306,554	277,389	265,429
Donations	74,859	44,159	32,284	86,734
Abandoned Vehicle	30,515	127,361	116,781	41,095
Local Law Grant	74,265	-	67,955	6,310
Law Enforcement Continuing Education	34,319	55,032	51,847	37,504
Unsafe Building	33,815	15,159	20,792	28,182
Riverboat	2,143,809	906,978	1,598,385	1,452,402
Drainage Maintenance	39,113	-	-	39,113
Federal Surplus Property	20,168	22	11,932	8,258
Rainy Day	1,352,256	950,221	413,477	1,889,000
TIF Bond Grantline Road	6,121,525	50,576	413,364	5,758,737
TIF Grantline Road	1,761,167	2,248,367	1,908,939	2,100,595
TIF Park East Industrial	594,945	1,281,179	489,440	1,386,684
TIF State Street	3,006,585	1,273,143	849,005	3,430,723
TIF State Street Garage	444,577	793,470	687,802	550,245
TIF Old Monon Corridor	285,320	542,680	384,444	443,556
Redevelopment Tax Abatement	53,197	11,700	2,062	62,835
Crimes Against Children	22	-	-	22
Riverfront Heritage	10,194	3,350	13,544	-
EMS	127,131	349,114	442,159	34,086
Animal Control Nonreverting	49,104	24,514	8,134	65,484
City Redevelopment	10,815	1,271,433	1,264,652	17,596
Communications Nonreverting	15,336	-	-	15,336
Community Promotions Nonreverting	8,724	6,747	7,586	7,885
Fire Contract Runs Nonreverting	34,464	52,240	47,240	39,464
TIF Loop Island	-	2,052	1,896	156
New Direction	197	39,854	39,854	197
Police Drug Fund	859	-	-	859
Parks Nonreverting Shelter House	52,758	13,454	7,272	58,940
State Street Garage Nonreverting	108,502	27,484	14,046	121,940
Tree Board Nonreverting	11,638	-	-	11,638
Veterinary Nonreverting	79,065	40,042	43,645	75,462
Walking Patrol	36,359	77,940	79,315	34,984
Redevelopment Home Improvement	42,661	35,335	9,854	68,142
Redevelopment Rental Rehabilitation	20,501	2,354	-	22,855
Farmer's Market	1,000	-	-	1,000
Highway 111	-	6,130,308	3,443	6,126,865
Excess Levy	-	41,850	-	41,850
Storm Water	184,574	1,725,196	1,314,752	595,018
Sanitation	(5,721,213)	2,421,975	2,337,235	(5,636,473)
Reserve Liability	296,433	244,944	357,251	184,126
TIF Grantline Debt Reserve	552,573	-	19,558	533,015
TIF Spring Street Debt Reserve	202,976	202,950	202,976	202,950
Kemper Foods TIF Pledge	639,271	1,597	-	640,868
TIF Charlestown Road Debt Reserve	220,000	-	-	220,000
TIF Charlestown Road	3,324,391	2,220,110	2,530,354	3,014,147
Park Cumulative Building	297,212	193,039	60,113	430,138
Cumulative Capital Improvement	427,203	117,293	334,640	209,856
Economic Development Income Tax	2,444,943	2,835,599	1,856,982	3,423,560
Caesar's Donations	1,323,735	1,503,450	2,107,450	719,735
Coyle Escrow	20,000	63	20,063	-
TIF Bond Daisy Lane	491,615	7,494	205,894	293,215
EDIT Bond Interest	(2,913)	-	-	(2,913)
TIF Bond Spring Street Hill	3,938	206,050	208,152	1,836
Tourism Bond	11,298	-	-	11,298
Neighborhood Stabilization Project	-	1,430,958	1,430,958	-
EECBG	-	36,066	36,066	-
Self Insurance	18,916	376,026	383,472	11,470
Police Pension	907,862	1,960,298	1,804,791	1,063,369
Fire Pension	(69,290)	2,477,605	2,158,131	250,184
Cemetery Endowment	203,013	25,401	8,899	219,515
Fairview Cemetery Interest	20,211	-	20,211	-
Payroll	678,300	21,412,214	21,787,408	303,106
Wastewater Utility - Operating Reserve	60,321	144	-	60,465
Wastewater Utility - SRF Bond And Interest	809,371	3,057,667	2,327,437	1,539,601
Wastewater Utility - SRF Debt Service Reserve	1,981,969	629,537	1,971,443	640,063
Wastewater Utility - 1999 Debt Service Reserve	-	36,048	-	36,048
Wastewater Utility - Bond And Interest	499,578	2,335,959	2,362,914	472,623
Wastewater Utility - SRF Construction	-	55,029	55,029	-
Wastewater Utility - Construction	66,198	-	-	66,198
Wastewater Utility - Operating	4,472,750	12,580,895	12,010,018	5,043,627
Totals	\$ 25,966,440	\$ 99,812,508	\$ 89,096,916	\$ 36,682,032

The notes to the financial statement(s) are an integral part of this statement.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENT(S)

Note 1. 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 some or all of 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, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement(s) present(s) the financial information for the City (primary government), and does not include financial information for any of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the City (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The City may be 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.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement and replacement items purchased.

Note 6. Pension Plan(s)

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

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

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan 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 Indiana Code 5-10.3-11.

C. 1937 Firefighters' Pension Plan

Plan Description

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

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 Indiana Code 5-10.3-11.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

D. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is 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.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City of New Albany's Annual Report(s) can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road And Street	Park and Recreation Operating	Parking Meter	Park Nonreverting Operating	Donations
Cash and investments - beginning	\$ (5,343,770)	\$ 62,919	\$ 269,108	\$ (330,316)	\$ 27,235	\$ 236,264	\$ 74,859
Receipts:							
Taxes	14,025,318	133,289	-	934,485	-	-	-
Licenses and permits	165,686	-	-	-	-	-	-
Intergovernmental	5,680,805	893,605	436,086	88,036	-	-	-
Charges for services	223,939	-	-	47,324	8,408	306,554	-
Fines and forfeits	600	-	-	-	75,821	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	2,043,997	2,300	232,403	2,127	-	-	44,159
Total receipts	<u>22,140,345</u>	<u>1,029,194</u>	<u>668,489</u>	<u>1,071,972</u>	<u>84,229</u>	<u>306,554</u>	<u>44,159</u>
Disbursements:							
Personal services	15,778,652	1,101,599	-	636,962	35,954	82,946	-
Supplies	377,081	97,107	-	46,046	1,296	194,443	-
Other services and charges	1,436,844	126,361	145,028	218,302	57,918	-	32,284
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	317,031	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,500,000	-	-	-	-	-	-
Total disbursements	<u>19,092,577</u>	<u>1,325,067</u>	<u>462,059</u>	<u>901,310</u>	<u>95,168</u>	<u>277,389</u>	<u>32,284</u>
Excess (deficiency) of receipts over disbursements	<u>3,047,768</u>	<u>(295,873)</u>	<u>206,430</u>	<u>170,662</u>	<u>(10,939)</u>	<u>29,165</u>	<u>11,875</u>
Cash and investments - ending	<u>\$ (2,296,002)</u>	<u>\$ (232,954)</u>	<u>\$ 475,538</u>	<u>\$ (159,654)</u>	<u>\$ 16,296</u>	<u>\$ 265,429</u>	<u>\$ 86,734</u>

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Abandoned Vehicle	Local Law Grant	Law Enforcement Continuing Education	Unsafe Building	Riverboat	Drainage Maintenance	Federal Surplus Property
Cash and investments - beginning	\$ 30,515	\$ 74,265	\$ 34,319	\$ 33,815	\$ 2,143,809	\$ 39,113	\$ 20,168
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	12,310	-	-	-	-
Intergovernmental	-	-	-	-	906,978	-	-
Charges for services	38,947	-	15,722	-	-	-	-
Fines and forfeits	20,645	-	-	15,159	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	67,769	-	27,000	-	-	-	22
Total receipts	<u>127,361</u>	<u>-</u>	<u>55,032</u>	<u>15,159</u>	<u>906,978</u>	<u>-</u>	<u>22</u>
Disbursements:							
Personal services	9,259	-	-	-	-	-	-
Supplies	2,958	-	13,872	-	-	-	-
Other services and charges	104,564	-	37,975	20,792	42,104	-	11,932
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	67,955	-	-	1,556,281	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>116,781</u>	<u>67,955</u>	<u>51,847</u>	<u>20,792</u>	<u>1,598,385</u>	<u>-</u>	<u>11,932</u>
Excess (deficiency) of receipts over disbursements	<u>10,580</u>	<u>(67,955)</u>	<u>3,185</u>	<u>(5,633)</u>	<u>(691,407)</u>	<u>-</u>	<u>(11,910)</u>
Cash and investments - ending	<u>\$ 41,095</u>	<u>\$ 6,310</u>	<u>\$ 37,504</u>	<u>\$ 28,182</u>	<u>\$ 1,452,402</u>	<u>\$ 39,113</u>	<u>\$ 8,258</u>

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Rainy Day	TIF Bond Grantline Road	TIF Grantline Road	TIF Park East Industrial	TIF State Street	TIF State Street Garage	TIF Old Monon Corridor
Cash and investments - beginning	\$ 1,352,256	\$ 6,121,525	\$ 1,761,167	\$ 594,945	\$ 3,006,585	\$ 444,577	\$ 285,320
Receipts:							
Taxes	950,221	-	734,593	1,277,588	1,258,178	792,417	540,979
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	50,576	1,513,774	3,591	14,965	1,053	1,701
Total receipts	950,221	50,576	2,248,367	1,281,179	1,273,143	793,470	542,680
Disbursements:							
Personal services	-	-	73,771	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	413,477	413,364	335,168	489,440	849,005	687,802	384,444
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	1,500,000	-	-	-	-
Total disbursements	413,477	413,364	1,908,939	489,440	849,005	687,802	384,444
Excess (deficiency) of receipts over disbursements	536,744	(362,788)	339,428	791,739	424,138	105,668	158,236
Cash and investments - ending	\$ 1,889,000	\$ 5,758,737	\$ 2,100,595	\$ 1,386,684	\$ 3,430,723	\$ 550,245	\$ 443,556

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Redevelopment Tax Abatement	Crimes Against Children	Riverfront Heritage	EMS	Animal Control Nonreverting	City Redevelopment	Communications Nonreverting
Cash and investments - beginning	\$ 53,197	\$ 22	\$ 10,194	\$ 127,131	\$ 49,104	\$ 10,815	\$ 15,336
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	8,090	-	-
Intergovernmental	-	-	-	-	-	1,207,757	-
Charges for services	11,700	-	-	343,595	12,500	-	-
Fines and forfeits	-	-	-	5,519	3,924	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	3,350	-	-	63,676	-
Total receipts	<u>11,700</u>	<u>-</u>	<u>3,350</u>	<u>349,114</u>	<u>24,514</u>	<u>1,271,433</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	303,063	-	180,400	-
Supplies	-	-	-	66,316	293	-	-
Other services and charges	-	-	13,544	72,780	7,231	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	2,062	-	-	-	610	1,084,252	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>2,062</u>	<u>-</u>	<u>13,544</u>	<u>442,159</u>	<u>8,134</u>	<u>1,264,652</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>9,638</u>	<u>-</u>	<u>(10,194)</u>	<u>(93,045)</u>	<u>16,380</u>	<u>6,781</u>	<u>-</u>
Cash and investments - ending	<u>\$ 62,835</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ 34,086</u>	<u>\$ 65,484</u>	<u>\$ 17,596</u>	<u>\$ 15,336</u>

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Community Promotions Nonreverting	Fire Contract Runs Nonreverting	TIF Loop Island	New Direction	Police Drug Fund	Parks Nonreverting Shelter House	State Street Garage Nonreverting
Cash and investments - beginning	\$ 8,724	\$ 34,464	\$ -	\$ 197	\$ 859	\$ 52,758	\$ 108,502
Receipts:							
Taxes	-	-	-	39,854	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	52,240	-	-	-	13,454	-
Fines and forfeits	6,747	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	2,052	-	-	-	27,484
Total receipts	<u>6,747</u>	<u>52,240</u>	<u>2,052</u>	<u>39,854</u>	<u>-</u>	<u>13,454</u>	<u>27,484</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	1,669	-	-	-	-	7,272	14,046
Other services and charges	5,917	-	-	39,854	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	47,240	1,896	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>7,586</u>	<u>47,240</u>	<u>1,896</u>	<u>39,854</u>	<u>-</u>	<u>7,272</u>	<u>14,046</u>
Excess (deficiency) of receipts over disbursements	<u>(839)</u>	<u>5,000</u>	<u>156</u>	<u>-</u>	<u>-</u>	<u>6,182</u>	<u>13,438</u>
Cash and investments - ending	<u>\$ 7,885</u>	<u>\$ 39,464</u>	<u>\$ 156</u>	<u>\$ 197</u>	<u>\$ 859</u>	<u>\$ 58,940</u>	<u>\$ 121,940</u>

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Tree Board Nonreverting	Veterinary Nonreverting	Walking Patrol	Redevelopment Home Improvement	Redevelopment Rental Rehabilitation	Farmer's Market	Highway 111
Cash and investments - beginning	\$ 11,638	\$ 79,065	\$ 36,359	\$ 42,661	\$ 20,501	\$ 1,000	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	6,125,000
Charges for services	-	40,042	77,940	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	35,335	2,354	-	5,308
Total receipts	-	40,042	77,940	35,335	2,354	-	6,130,308
Disbursements:							
Personal services	-	19,942	79,315	-	-	-	-
Supplies	-	5,104	-	-	-	-	-
Other services and charges	-	18,599	-	9,854	-	-	3,443
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	43,645	79,315	9,854	-	-	3,443
Excess (deficiency) of receipts over disbursements	-	(3,603)	(1,375)	25,481	2,354	-	6,126,865
Cash and investments - ending	\$ 11,638	\$ 75,462	\$ 34,984	\$ 68,142	\$ 22,855	\$ 1,000	\$ 6,126,865

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Excess Levy	Storm Water	Sanitation	Reserve Liability	TIF Grantline Debt Reserve	TIF Spring Street Debt Reserve	Kemper Foods TIF Pledge
Cash and investments - beginning	\$ -	\$ 184,574	\$ (5,721,213)	\$ 296,433	\$ 552,573	\$ 202,976	\$ 639,271
Receipts:							
Taxes	-	-	-	48,979	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	3,465	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	1,722,177	2,421,975	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	41,850	3,019	-	192,500	-	202,950	1,597
Total receipts	<u>41,850</u>	<u>1,725,196</u>	<u>2,421,975</u>	<u>244,944</u>	<u>-</u>	<u>202,950</u>	<u>1,597</u>
Disbursements:							
Personal services	-	722,277	-	-	-	-	-
Supplies	-	76,050	-	-	-	-	-
Other services and charges	-	496,374	2,337,235	357,251	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	20,051	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	19,558	202,976	-
Total disbursements	<u>-</u>	<u>1,314,752</u>	<u>2,337,235</u>	<u>357,251</u>	<u>19,558</u>	<u>202,976</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>41,850</u>	<u>410,444</u>	<u>84,740</u>	<u>(112,307)</u>	<u>(19,558)</u>	<u>(26)</u>	<u>1,597</u>
Cash and investments - ending	<u>\$ 41,850</u>	<u>\$ 595,018</u>	<u>\$ (5,636,473)</u>	<u>\$ 184,126</u>	<u>\$ 533,015</u>	<u>\$ 202,950</u>	<u>\$ 640,868</u>

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	TIF Charlestown Road Debt Reserve	TIF Charlestown Road	Park Cumulative Building	Cumulative Capital Improvement	Economic Development Income Tax	Caesar's Donations	Coyle Escrow
Cash and investments - beginning	\$ 220,000	\$ 3,324,391	\$ 297,212	\$ 427,203	\$ 2,444,943	\$ 1,323,735	\$ 20,000
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	193,039	117,293	2,835,599	1,503,450	63
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	2,220,110	-	-	-	-	-
Total receipts	-	2,220,110	193,039	117,293	2,835,599	1,503,450	63
Disbursements:							
Personal services	-	-	-	-	76,972	-	-
Supplies	-	-	-	-	2,430	-	-
Other services and charges	-	-	-	91,355	187,162	2,107,450	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	2,530,354	60,113	243,285	715,418	-	20,063
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	875,000	-	-
Total disbursements	-	2,530,354	60,113	334,640	1,856,982	2,107,450	20,063
Excess (deficiency) of receipts over disbursements	-	(310,244)	132,926	(217,347)	978,617	(604,000)	(20,000)
Cash and investments - ending	\$ 220,000	\$ 3,014,147	\$ 430,138	\$ 209,856	\$ 3,423,560	\$ 719,735	\$ -

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	TIF Bond Daisy Lane	EDIT Bond Interest	TIF Bond Spring Street Hill	Tourism Bond	Neighborhood Stabilization Project	EECBG	Self Insurance
Cash and investments - beginning	\$ 491,615	\$ (2,913)	\$ 3,938	\$ 11,298	\$ -	\$ -	\$ 18,916
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	7,494	-	206,050	-	1,430,958	36,066	376,026
Total receipts	<u>7,494</u>	<u>-</u>	<u>206,050</u>	<u>-</u>	<u>1,430,958</u>	<u>36,066</u>	<u>376,026</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	205,894	-	208,152	-	1,430,958	36,066	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	383,472
Total disbursements	<u>205,894</u>	<u>-</u>	<u>208,152</u>	<u>-</u>	<u>1,430,958</u>	<u>36,066</u>	<u>383,472</u>
Excess (deficiency) of receipts over disbursements	<u>(198,400)</u>	<u>-</u>	<u>(2,102)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,446)</u>
Cash and investments - ending	<u>\$ 293,215</u>	<u>\$ (2,913)</u>	<u>\$ 1,836</u>	<u>\$ 11,298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,470</u>

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Police Pension	Fire Pension	Cemetery Endowment	Fairview Cemetery Interest	Payroll	Wastewater Utility - Operating Reserve	Wastewater Utility - SRF Bond And Interest
Cash and investments - beginning	\$ 907,862	\$ (69,290)	\$ 203,013	\$ 20,211	\$ 678,300	\$ 60,321	\$ 809,371
Receipts:							
Taxes	217,883	277,471	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	1,742,415	2,200,134	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	25,401	-	21,412,214	144	3,057,667
Total receipts	<u>1,960,298</u>	<u>2,477,605</u>	<u>25,401</u>	<u>-</u>	<u>21,412,214</u>	<u>144</u>	<u>3,057,667</u>
Disbursements:							
Personal services	1,803,977	2,157,811	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	814	-	8,899	20,211	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	2,327,437
Other disbursements	-	320	-	-	21,787,408	-	-
Total disbursements	<u>1,804,791</u>	<u>2,158,131</u>	<u>8,899</u>	<u>20,211</u>	<u>21,787,408</u>	<u>-</u>	<u>2,327,437</u>
Excess (deficiency) of receipts over disbursements	<u>155,507</u>	<u>319,474</u>	<u>16,502</u>	<u>(20,211)</u>	<u>(375,194)</u>	<u>144</u>	<u>730,230</u>
Cash and investments - ending	<u>\$ 1,063,369</u>	<u>\$ 250,184</u>	<u>\$ 219,515</u>	<u>\$ -</u>	<u>\$ 303,106</u>	<u>\$ 60,465</u>	<u>\$ 1,539,601</u>

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Wastewater Utility - SRF Debt Service Reserve	Wastewater Utility - 1999 Debt Service Reserve	Wastewater Utility - Bond And Interest	Wastewater Utility - SRF Construction	Wastewater Utility - Construction	Wastewater Utility - Operating	Totals
Cash and investments - beginning	\$ 1,981,969	\$ -	\$ 499,578	\$ -	\$ 66,198	\$ 4,472,750	\$ 25,966,440
Receipts:							
Taxes	-	-	-	-	-	-	21,231,255
Licenses and permits	-	-	-	-	-	-	186,086
Intergovernmental	-	-	-	-	-	-	19,284,281
Charges for services	-	-	-	-	-	-	5,841,809
Fines and forfeits	-	-	-	-	-	-	4,272,567
Utility fees	-	-	-	-	-	10,919,401	10,919,401
Penalties	-	-	-	-	-	183,784	183,784
Other receipts	629,537	36,048	2,335,959	55,029	-	1,477,710	37,893,325
Total receipts	629,537	36,048	2,335,959	55,029	-	12,580,895	99,812,508
Disbursements:							
Personal services	-	-	-	-	-	-	23,062,900
Supplies	-	-	-	-	-	-	905,983
Other services and charges	-	-	-	-	-	-	9,893,147
Debt service - principal and interest	-	-	770,044	-	-	-	770,044
Capital outlay	-	-	-	55,029	-	842,196	11,136,536
Utility operating expenses	1,971,443	-	1,592,870	-	-	3,708,048	9,599,798
Other disbursements	-	-	-	-	-	7,459,774	33,728,508
Total disbursements	1,971,443	-	2,362,914	55,029	-	12,010,018	89,096,916
Excess (deficiency) of receipts over disbursements	(1,341,906)	36,048	(26,955)	-	-	570,877	10,715,592
Cash and investments - ending	\$ 640,063	\$ 36,048	\$ 472,623	\$ -	\$ 66,198	\$ 5,043,627	\$ 36,682,032

CITY OF NEW ALBANY
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2010

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	\$ 111,492	\$ 100,469
Scribner Aquatic Center	11,340,000	1,224,362
Revenue bonds:		
2005 TIF bonds Charlestown Road improvements	1,230,000	269,797
2007 TIF bonds State Street Road improvements	2,535,000	266,166
2008 TIF bonds Grantline Road/Park East Industrial Park Road improvements	6,040,000	523,426
2008 TIF bonds redevelopment district	2,015,000	200,085
2009 Economic revenue bonds - Kemper Foods	<u>535,714</u>	<u>112,727</u> (a)
Total governmental activities debt	<u>\$ 23,807,206</u>	<u>\$ 2,697,032</u>
Business-type activities:		
Wastewater Utility:		
Capital leases:		
Aquatech combination sewer cleaner	\$ 68,336	\$ 36,824
Jetaway easement machine	30,455	8,417
Notes and loans payable:		
Community wastewater loan program build Indiana loan	254,114	36,047
2002 State revolving loan	31,996,001	2,281,868
2006 State revolving loan	1,123,000	30,984
2010 State revolving loan	55,029	- (b)
Revenue bonds:		
Wastewater 1998 repair and replacement	1,930,000	291,948
Wastewater 2003 refunding	3,810,000	1,242,206
Wastewater 2006 refunding	<u>9,300,000</u>	<u>734,912</u>
Total business-type activities debt	<u>\$ 48,566,935</u>	<u>\$ 4,663,206</u>

{a} - 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.

{b} - Ending principal balance represents amount drawn down through December 31, 2010. Actual loan amount is \$7,400,000.

CITY OF NEW ALBANY
AUDIT RESULT(S) AND COMMENT(S)

CONDITION OF RECORDS

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

1. Bank Reconciliations

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 20 bank accounts, and to the transactions and balances recorded in the City's records.

Eleven of the City's twenty bank accounts reconciled to the record balances of the applicable funds at December 31, 2010; however, discrepancies between the reconciled amounts and the transactions and balances of the remaining nine bank accounts were not always investigated or investigated in a timely manner. Failure to investigate these variances could result in posting errors and bank errors going undetected. Undetected posting errors and bank errors could result in materially inaccurate financial statements and could allow fraud to occur and go undetected.

As a result of undetected errors as of December 31, 2010, the City shows \$317,630 more in unidentified cash being held in its bank accounts than recorded in its records. In comparison, at December 31, 2009, the City showed \$425,897 more in unidentified cash recorded in its records than that being held in its bank accounts. The aggregate change in the discrepancies between the record balances and the reconciled depository balances from December 31, 2009 to December 31, 2010, amounts to approximately \$743,527.

Bank reconcilements presented for audit indicated that there is not proper management oversight or approval of the monthly bank reconcilements being performed. Additionally, monthly bank reconcilements are not being presented to the Common Council to allow them to properly monitor and assess the quality of the City's system of internal control.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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

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

CITY OF NEW ALBANY
AUDIT RESULT(S) AND COMMENT(S)
(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 objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

2. Timely Recordkeeping

Transactions were not being posted to the ledger timely. Collections totaling \$98,679 that had been deposited in the bank during the period of August 11, 2010 to November 29, 2010, were not posted to the records until 72 to 169 days later. Returned checks totaling \$1,592 received during the period of March 17, 2010 to November 26, 2010, were not posted to the City's ledger until January 11, 2011.

Failure to timely identify and record collections deposited into the bank and post return checks to the ledger, could result in materially inaccurate financial statements and could allow fraud to occur and go undetected.

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)

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)

3. Transaction Recording

Some transactions of the Wastewater Utility - SRF Bond and Interest Fund and the Wastewater Utility - SRF Debt Service Reserve Fund were not recorded in the records. These transactions included \$310,261 in transfers received by the Wastewater Utility - SRF Bond and Interest Fund and a payment in the amount of \$1,333,629 made by the Wastewater Utility - SRF Debt Reserve Fund to pay off a bond anticipation note.

Failure to record all transactions of the City can result in materially inaccurate financial statements and could allow fraud to occur and go undetected.

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

CITY OF NEW ALBANY
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

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

4. Annual Financial Report

The City and Town Annual Financial Report (CTAR-2) prepared and filed by the City was not properly reviewed and compared to the City's ledgers prior to being filed to ensure it accurately and correctly reflected the transactions and balances of the City's financial records. As a result, the City's Annual Report was materially misstated. Additionally, the classification of disbursements for Debt Service – Principal and Interest, as shown in the Supplementary Information, Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, reported a total of \$770,044 for debt service. The actual debt service disbursements during the audit period were \$8,675,070.

Indiana Code 5-11-1-4 states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

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

FINANCIAL REPORT OPINION MODIFICATION

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

1. Cash reconcilements were incomplete.
2. Some financial transactions were not posted to the financial records timely.
3. Financial records did not contain all the financial transactions pertaining to the City.

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 Auditor's Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF NEW ALBANY
 AUDIT RESULT(S) AND COMMENT(S)
 (Continued)

OVERDRAWN CASH BALANCES

The cash balances of the following funds were overdrawn in 2010:

Fund	2010
General	\$ 2,296,002
Motor Vehicle Highway	232,954
Park and Recreation Operating	159,654
Sanitation	5,636,473
EDIT Bond Interest	2,913

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	\$ 1,766,129
Motor Vehicle Highway	189,719
Walking Patrol	29,315
Riverfront Heritage	13,544
Total	\$ 1,998,707

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

TEMPORARY TRANSFER OF FUNDS

During 2010, a temporary transfer of \$500,000 was made from the TIF Grantline Road Fund to the General Fund for cash flow purposes without an ordinance or resolution being approved by the Common Council.

CITY OF NEW ALBANY
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

On December 29, 2010, the TIF Grantline Road Fund paid \$100,000 to Morgan & Pottinger PSC on behalf of the Sewer Operating Fund for a judgment awarded against the Sewer Utility. The claim stated that it was a temporary loan to the Sewer Utility and would be reimbursed by the Utility during the first or second week of January 2011. There was no ordinance or resolution approved by the Common Council for this temporary loan. The temporary loan was repaid in two \$50,000 installments on March 3 and April 6, 2011.

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

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the 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. . . .

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

DEPARTMENT RECEIPTS AND FEES

Receipts for fees collected by the Planning Commission were remitted to the Controller less frequently than once a week. Collections totaling \$8,150 during the period of August 18, 2010 to May 4, 2011, were not remitted to the Controller until May 9, 2011.

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

RECORD OF HOURS WORKED

The City has an employee who holds the position of Public Works Project Supervisor. This position serves as the project coordinator/manager for the public work projects of the City including those within the City's various TIF Districts. During the audit period there were multiple public works projects being managed by this employee. The majority of these projects occurred within the different TIF Districts. Separate funds are maintained to account for the activity for each TIF District. The salary of this employee should be allocated to each of the applicable funds based on the time spent on each project. A record of hours spent on each project was not presented for audit and the entire salary of this employee was charged to the TIF Grantline Road Fund.

Indiana Code 5-11-9-4(b) states in part: ". . . records be maintained showing which hours were worked each day by officers and employees . . . employed . . . in more than one (1) position by the same public agency . . ."

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF NEW ALBANY
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

SEWAGE DISPOSAL CHARGES

The City has an ordinance (G-10-13) setting the rates to be charged for sewage disposal. We noted that City owned facilities are not being billed for sewer disposal charges. The rate ordinance does not provide provisions to exempt City owned facilities. Prior to January 2009, sewer billings were being handled by an outside contractor and the City was being billed for sewer charges for facilities it owned. In January 2009, the City brought the sewer billing in house and it was at this time that billings to City owned facilities stopped.

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

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

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

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

Compliance

We have audited the compliance of the City of New Albany (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2010. The City's major federal program is 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 program 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 program for the year ended December 31, 2010.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

This report is intended solely for the information and use of the City's management, the Common Council, the Board of Public Works and Safety, others within the entity, 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

May 26, 2011

CITY OF NEW ALBANY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2010

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 08		B-08-MC-18-0018	\$ 695,127
FY 09		B-09-MC-18-0018	<u>321,846</u>
Total for program			<u>1,016,973</u>
ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R)(Recovery Act Funded)			
FY 09	14.253		
		B-09-MY-18-0018	<u>190,785</u>
Total for cluster			<u>1,207,758</u>
Pass-Through Indiana Department of Housing and Community Development Authority			
CDBG - State-Administered Small Cities Program Cluster			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228		
FY 10		NSP1-009-023	<u>1,430,958</u>
Total for federal grantor agency			<u>2,638,716</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>1,279</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Public Safety Partnership and Community Policing Grants	16.710	2008CKWX0325	<u>67,955</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 10		PT-10-04-04-41	22,053
FY 10		K4-2010-08-01-05	17,050
FY 11		PT-11-04-04-44	3,464
FY 11		CS-2011-08-01-05	<u>1,983</u>
Total for program			<u>44,550</u>
<u>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Department of Environmental Management			
Capitalization Grants for Clean Water State Revolving Funds	66.458		
2010 SRF Grant		WW09712205	<u>20,432</u>
Total federal awards expended			<u>\$ 2,772,932</u>

The accompanying note(s) are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF NEW ALBANY
NOTE(S) TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. 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.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2010:

Program Title	Federal CFDA Number	2010
Community Development Block Grants/Entitlement Grants:	14.218	
New Directions Housing Corporation		\$ 111,453
YMCA of Southern Indiana		18,566
Harrison Education Literacy Program		14,655
Haven House Services		6,000
Floyd County Youth Services		5,187
V.F.W.		5,000
Interfaith Community Council		4,000
Our Place-Drug and Alcohol		3,449
Indiana University Southeast		3,000
Housing Partnership		3,000

CITY OF NEW ALBANY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	no
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	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:

_____ Name of Federal Program or Cluster _____

CDBG – State-Administered Small Cities Program 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 2010-1 - CONDITION OF RECORDS/INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted the following deficiencies relating to the recordkeeping and in the internal control system of the City relating to financial transactions and reporting:

1. Bank Reconciliations

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 20 bank accounts, and to the transactions and balances recorded in the City's records.

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

Eleven of the City's twenty bank accounts reconciled to the record balances of the applicable funds at December 31, 2010; however, discrepancies between the reconciled amounts and the transactions and balances of the remaining nine bank accounts were not always investigated or investigated in a timely manner. Failure to investigate these variances could result in posting errors and bank errors going undetected. Undetected posting errors and bank errors could result in materially inaccurate financial statements and could allow fraud to occur and go undetected.

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Bank reconcilements presented for audit indicated that there is not proper management oversight or approval of the monthly bank reconcilements being performed. Additionally, monthly bank reconcilements are not being presented to the Common Council to allow them to properly monitor and assess the quality of the City's system of internal control.

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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)

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

2. Timely Recordkeeping

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

Additionally, the classification of disbursements for Debt Service – Principal and Interest, as shown in the Supplementary Information, Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, reported a total of \$770,044 for debt service. The actual debt service disbursements during the audit period were \$8,675,070.

Indiana Code 5-11-1-4 states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

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

We recommended:

1. The City properly completes 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 transaction 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.

The City implements policies and procedures which require management to review and approve monthly bank reconcilements. Monthly reconcilements should also be provided to the Common Council to assist them in monitoring and assessing the quality of the City's system of internal control.

2. The City promptly records all transactions of the City into the financial records and investigates any discrepancies between bank transactions and transactions recorded in the City's ledger.
3. A comparison of the completed Annual Report to the City's ledger is performed prior to filing the annual report to ensure that all financial information has been included and that it accurately reflects the transactions and balances of the City's financial records. Receipts and disbursements should be reviewed to ensure they have been properly classified in the Annual Report.

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

4. Identifying and analyzing the risks of material misstatements to the financial statements and designing effective controls to manage those risks in order to prevent or detect material misstatements in a timely manner.
5. The Common Council monitors and assesses the quality of the City's system of internal controls to 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.



City of New Albany

Kathlyn M. Garry
City Controller

CORRECTIVE ACTION PLAN

FROM: KATHLYN M. GARRY

SUBJECT: FINDING 2010-1, CONDITION OF RECORDS/INTERNAL CONTROLS
OVER FINANCIAL TRANSACTIONS AND REPORTING

DATE: MAY 19, 2011

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

CONTINUED EFFORTS AND COSTS TO THE CITY WILL HELP MAINTAIN THE
ACCURATE RECORDS IT STRIVES TO PRODUCE ON A DAILY BASIS WITH
THE STAFF ON HAND. THE CITY HAS CONTINUED USING A CONTRACTUAL
PERSON TO WORK WITH THE STATE BOARD OF ACCOUNTS' AUDITOR
SPECIFICALLY TO PRODUCE THE ACCURATE RECORDS THAT HE
CONTINUES TO CONTEND ARE LACKING. GREAT PROGRESS HAS BEEN
MADE WITH THESE EXTRAORDINARY EFFORTS AND WILL CONTINUE
THROUGHOUT 2011.


Kathlyn M. Garry, Controller

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Telephone: (812) 948-5333 • Fax: (812) 981-3775

CITY OF NEW ALBANY
EXIT CONFERENCE

The contents of this report were discussed on May 26, 2011, with Kathlyn M. Garry, Controller; Douglas B. England, Mayor; Jeff Gahan, President of the Common Council; Diane Benedetti, Council member; and Shane Gibson, City Attorney. The official response has been made a part of this report and may be found on pages 48 and 49.



FOUNDED 1813

City of New Albany

Kathlyn M. Garry
City Controller

State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, IN 46204-2765

RE: OFFICIAL RESPONSE TO 2010 AUDIT

Gentlemen:

It is our understanding from your auditor that we must file this response in ten days from the Exit Conference held on Thursday, May 26, 2011.

"Timely Recordkeeping". Late postings from the Sewer Department were found when bank statements were received in the Controller's Office. The Controller's Office does not collect the receipts for the Sewer Department and would not have a receipt of such. The Controller's bookkeeper upon receiving bank statements and reconciling would take to the Sewage Office a listing of postings that were not recorded and reported to the Controller's Office. These deposits should have been submitted on a "Report of Collections" and submitted in a timely manner. After numerous pleadings from the Controller's Office and the auditor the Sewer Office found the report of deposits and did submit them to the Controller's Office. Unfortunately, there were several more from October, November, and December 2010 that were not reported until January of 2011. This matter has been discussed with the Sewer Billing/Collection office and a procedure has been implemented to ensure timely report of receipts to the Controller's Office.

"Temporary Transfer of Funds".

Payroll-The City Controller had an advance submitted to the Floyd County Auditor. The County Auditor indicated that the late 2009 taxes were to be distributed on or before March 26, which would allow the City to use its own fund for the regular payroll and the pension payroll of March 31. The Floyd County Auditor anticipated issuing the money to the City but encountered a computer issue and the money was delayed past the time frame necessary to process payroll for the week. Due to the delays in receiving this revenue (which should have been in the City's bank account in 2009), the city lacked the money to cover the March 26 and the March 31 payrolls, therefore, an emergency loan of \$500,000 was made from TIF money. It was an emergency and there was not a council meeting until April 5, 2010. The tax settlement was received and deposited on Thursday April 1, 2010. Friday, April 2, was a holiday, therefore, the \$500,000 was paid back on April 5. But for the delay in receiving the income due to the City, there would not have

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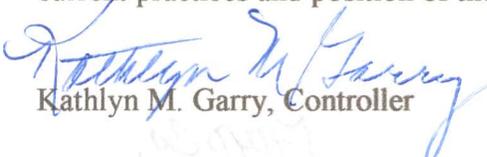
been a need to borrow the funds. Because of the County's Auditor's computer issue, the Controller made a judgment to temporarily borrow funds to meet the payrolls for 300 employees and 125 retirees. A review of previous cash flow transactions involving this type of temporary loan will show that when time is available the Controller does take the matter to the Council for approval.

Judgment-With respect to a temporary transfer of funds to pay a sewer judgment, the City Council requested that the Administration resolve this matter as soon as possible in their meeting in December 2010. Through negotiations with the judgment holders, the City was able to negotiate a reduction in the judgment amount due and payable by the City but according to the terms of the judgment holders the amount had to be paid before the end of the year. In order to take advantage of the reduction in the total judgment amount, a temporary loan was necessary from the TIF district. The judgment was paid and the TIF district funds were reimbursed by the Sewer Department.

"Department Receipts and Fees". Each year the Controller issues a memorandum to all departments regarding the timely remittance of fees collected to the Controller's Office. The Controller's Office issues verbal reminders to departments regarding this matter, however, the duties of every department cannot be policed by the controller's staff. This situation has again been reviewed and the following procedure is being implemented: each department that collects money will receive an email reminder each Friday to report any and all collections for the week. In addition, the Controller is extending another memorandum regarding timely "reports of collections".

"Sewage Disposal Charges". The City of New Albany owns the Sewer Utility. The City had previously used an outside vendor to bill customers. This billing was based upon water bills and automatically included sewer charges. The City of New Albany and the Sewer Board took back billing customers for sewage disposal services in 2009. Once, the City took control over billing, it makes no sense for the City to charge itself for sewage disposal as stated in the Audit.

"Overdrawn Cash Balances". The Audit lists Sanitation Fund as being overdrawn by \$5,636,473. This overdrawn balance accumulated through years dating back to 1986 when the Fund was established. The Sanitation Fund and Sewer Fund used to be combined with respect to most record keeping. In 2009, the Sewer Board took steps to separate the Funds in order to properly reflect the position of each Fund. According to the audit, the Sanitation Fund cash balance actually had a positive cash flow for 2010. The beginning balance was overdrawn by \$5,721,213 and the ending balance was overdrawn by \$5,636,473 for a positive cash position of \$84,740 for 2010. The overdrawn balances had been paid in previous years by the Sewer Fund. The Sanitation Fund balance is going to be discussed with the Sewer Board and steps taken to acknowledge and remove this outstanding balance from the records in order to reflect the current practices and position of the Sanitation Fund.


Kathlyn M. Garry, Controller