

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF NEW ALBANY
FLOYD COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
11/19/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Mary Ann Prestigiacomo	01-01-12 to 07-07-13
	Sandy Boofter (Interim)	07-08-13 to 08-02-13
	Linda S. Moeller	08-03-14 to 12-31-13
Mayor	Jeff Gahan	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Suellen Wilkinson	01-01-12 to 12-31-12
	Warren Nash	01-01-13 to 12-31-13
President of the Common Council	Diane Benedetti	01-01-12 to 12-31-12
	Pat McLaughlin	01-01-13 to 12-31-13
President of the Sewer Board	Jeff Gahan	01-01-12 to 12-31-13



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of New Albany (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2012.

Opinion on Regulatory Basis of Accounting

In our opinion, 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, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 6, 2013, 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* in considering the City's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They 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.

Other Information

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.


Paul D. Joyce, CPA
State Examiner

November 6, 2013



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

We have audited, 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, the financial statement of the City of New Albany (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated November 6, 2013, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 items 2012-1 and 2012-2 to be material weaknesses.

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

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

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 2012-2.

City of New Albany's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

November 6, 2013

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF NEW ALBANY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 273,908	\$ 18,928,036	\$ 18,760,225	441,719
Motor Vehicle Highway	7,897	1,004,512	1,009,029	3,380
Local Road And Street	308,855	418,133	203,097	523,891
Parking Meter	78,055	124,244	92,684	109,615
Park Nonreverting Operating	295,283	294,689	254,298	335,674
Abandoned Vehicle	64,572	147,301	109,507	102,366
Law Enforcement Continuing Education	180,866	30,190	196,285	14,771
Unsafe Building	26,400	72,978	16,486	82,892
Riverboat	1,443,919	931,333	485,696	1,889,556
Parks And Recreation Operating	(21,579)	1,044,856	862,343	160,934
Rainy Day	1,010,828	-	179,456	831,372
Grant Line Bond TIF	3,605,821	384,455	1,603,493	2,386,783
Redevelopment Bond Proceeds	3,042,352	1,640,121	1,568,342	3,114,131
Cumulative Park	315,071	320,095	227,639	407,527
Cumulative Capital Improvement	132,301	96,468	109,933	118,836
CEDIT Capital Projects	1,165,573	2,998,551	2,187,542	1,976,582
Police Pension	1,107,682	1,734,051	2,054,939	786,794
Fire Pension	412,140	2,274,702	2,120,812	566,030
EPA Brownfield Grant	-	4,175	4,175	-
Donations	83,308	751,075	484,021	350,362
Federal Grants	520	-	-	520
Federal Surplus Property	935	9,062	24	9,973
Grant Line Road TIF	2,414,547	419,433	288,403	2,545,577
Park East TIF	1,826,596	930,444	452,596	2,304,444
State Street TIF	1,702,329	1,065,475	860,937	1,906,867
Garage TIF	350,348	378,447	624,389	104,406
Old Monon TIF	891,273	690,643	404,974	1,176,942
Abatement	69,588	8,550	22,031	56,107
Police/Child Victim	22	-	-	22
Ambulance/Ems Non Reverting	110,131	484,091	430,929	163,293
Animal Control Runs Non Reverting	66,269	21,165	40,390	47,044
City Redevelopment	2,741	1,229,626	1,233,928	(1,561)
Communications Non Reverting	15,336	-	-	15,336
Community Promotions	2,945	-	2,656	289
Fire Run Contracts Non Reverting	81,251	38,206	8,230	111,227
Loop Island	5,125	6,171	18,803	(7,507)
New Direction	197	-	-	197

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

CITY OF NEW ALBANY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012
(Continued)

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
Police/Drug Fund	859	-	859	-
Shelterhouse Parks	58,573	12,462	6,046	64,989
State Street Garage	142,053	27,985	23,039	146,999
Tree Board	11,518	-	313	11,205
Veterinary Non Reverting	71,066	32,225	34,608	68,683
Walking Patrol	15,035	-	-	15,035
Homes Improvement	78,957	17,009	6,215	89,751
Rental Rehab	22,855	11,851	-	34,706
Farmer's Market	1,000	-	-	1,000
Highway 111	5,054,685	10,098	3,122,135	1,942,648
Excess Levy	-	239,609	-	239,609
Stormwater	1,165,798	1,460,512	1,225,743	1,400,567
Sanitation 2	101,790	2,183,563	2,208,783	76,570
Reserve Liability	149,132	229,886	281,146	97,872
TIF Grant Line Debt Reserve	533,015	-	-	533,015
TIF Spring Street Debt Reserve	202,950	-	-	202,950
Park East Pledged TIF	642,350	885	-	643,235
TIF Financing	220,000	-	-	220,000
Caesar's Donations	917,863	1,413,400	1,350,139	981,124
TIF Daisy Lane Bond Proceeds	276,458	-	9	276,449
Neighborhood Stabilization Project	-	1,478,788	1,751,390	(272,602)
EECBG	124	28,352	28,476	-
Self Insurance	65,956	434,743	177,875	322,824
Cemetery Endowment	218,216	4,915	8,067	215,064
Payroll	580,175	23,641,819	23,679,776	542,218
Stormwater Bond	-	5,940,122	35,552	5,904,570
Wastewater Utility-Operating	8,398,186	17,446,570	19,982,752	5,862,004
Sewer Operating Reserve	60,552	56	-	60,608
SRF Debt Serv. Reserve	1,097,596	457,514	-	1,555,110
SRF Bond And Interest	1,756,455	5,151,336	5,147,595	1,760,196
Sanitation 1	(5,771,885)	8,175,188	2,183,563	219,740
SRF Construction	-	1,248,630	1,248,630	-
1999 Debt Service Reserve	36,048	72,096	72,096	36,048
Totals	<u>\$ 37,180,785</u>	<u>\$ 108,200,892</u>	<u>\$ 99,493,099</u>	<u>\$ 45,888,578</u>

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

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENT

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, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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 statement. The aggregate receipts include 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.

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,

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENT
(Continued)

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 statement. The aggregate disbursements include 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.

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.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENT
(Continued)

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
(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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

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 Indiana Public Retirement System (INPRS) 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.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

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 Indiana Public Retirement System 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 Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENT
(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 Retirement System (INPRS) 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.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. For one fund, this is a result of the fund being set up for a reimbursable grant. The reimbursements for expenditures made by the City were not received by December 31, 2012. For another fund, it is the result of expenditures exceeding revenues and the deficits will be offset with future revenues.

Note 8. Other Postemployment Benefits

The City provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all policemen and firemen who retire from the City with at least 20 years of service, and Local 1861 Union and CWA Communications Union employees who retire from the City with at least 10 years of service. These benefits pose a liability to the City for this year and in future years. Information regarding the benefits can be obtained by contacting the City.

Note 9. Subsequent Events

On February 21, 2013, the City's Common Council adopted resolution R-31-01 approving the issuance of Lease Rental Revenue Bonds in the amount of \$19,600,000 by the New Albany Redevelopment Authority for the purpose of financing the following projects: multi-sports complexes; aquatic facilities; soccer fields; and improvements to the farmer's market.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	General	Motor Vehicle Highway	Local Road And Street	Parking Meter	Park Nonreverting Operating	Abandoned Vehicle	Law Enforcement Continuing Education	Unsafe Building
Cash and investments - beginning	\$ 273,908	\$ 7,897	\$ 308,855	\$ 78,055	\$ 295,283	\$ 64,572	\$ 180,866	\$ 26,400
Receipts:								
Taxes	11,939,386	-	-	-	-	-	-	-
Licenses and permits	529,664	-	-	-	-	-	14,510	-
Intergovernmental	5,828,093	994,176	384,957	-	-	-	-	-
Charges for services	264,945	-	-	-	294,689	147,301	15,680	-
Fines and forfeits	600	-	-	108,786	-	-	-	72,978
Utility fees	-	-	-	-	-	-	-	-
Other receipts	365,348	10,336	33,176	15,458	-	-	-	-
Total receipts	<u>18,928,036</u>	<u>1,004,512</u>	<u>418,133</u>	<u>124,244</u>	<u>294,689</u>	<u>147,301</u>	<u>30,190</u>	<u>72,978</u>
Disbursements:								
Personal services	16,142,810	764,396	-	39,234	83,071	10,397	-	-
Supplies	402,690	101,850	-	114	171,227	5,807	-	-
Other services and charges	1,518,406	142,783	75,217	53,336	-	91,830	25,760	14,571
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	127,880	-	-	1,473	12,550	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	696,319	-	-	-	-	-	157,975	1,915
Total disbursements	<u>18,760,225</u>	<u>1,009,029</u>	<u>203,097</u>	<u>92,684</u>	<u>254,298</u>	<u>109,507</u>	<u>196,285</u>	<u>16,486</u>
Excess (deficiency) of receipts over disbursements	<u>167,811</u>	<u>(4,517)</u>	<u>215,036</u>	<u>31,560</u>	<u>40,391</u>	<u>37,794</u>	<u>(166,095)</u>	<u>56,492</u>
Cash and investments - ending	<u>\$ 441,719</u>	<u>\$ 3,380</u>	<u>\$ 523,891</u>	<u>\$ 109,615</u>	<u>\$ 335,674</u>	<u>\$ 102,366</u>	<u>\$ 14,771</u>	<u>\$ 82,892</u>

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Riverboat	Parks And Recreation Operating	Rainy Day	Grant Line Bond TIF	Redevelopment Bond Proceeds	Cumulative Park	Cumulative Capital Improvement
Cash and investments - beginning	\$ 1,443,919	\$ (21,579)	\$ 1,010,828	\$ 3,605,821	\$ 3,042,352	\$ 315,071	\$ 132,301
Receipts:							
Taxes	-	693,793	-	-	1,635,790	118,583	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	931,333	55,579	-	378,736	-	201,512	96,468
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	295,484	-	5,719	4,331	-	-
Total receipts	<u>931,333</u>	<u>1,044,856</u>	<u>-</u>	<u>384,455</u>	<u>1,640,121</u>	<u>320,095</u>	<u>96,468</u>
Disbursements:							
Personal services	-	594,312	-	-	-	-	-
Supplies	-	65,549	-	-	-	-	-
Other services and charges	111,683	202,482	62,198	-	-	497	63,782
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	314,013	-	117,258	1,603,493	1,568,342	227,142	46,151
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	60,000	-	-	-	-	-	-
Total disbursements	<u>485,696</u>	<u>862,343</u>	<u>179,456</u>	<u>1,603,493</u>	<u>1,568,342</u>	<u>227,639</u>	<u>109,933</u>
Excess (deficiency) of receipts over disbursements	<u>445,637</u>	<u>182,513</u>	<u>(179,456)</u>	<u>(1,219,038)</u>	<u>71,779</u>	<u>92,456</u>	<u>(13,465)</u>
Cash and investments - ending	<u>\$ 1,889,556</u>	<u>\$ 160,934</u>	<u>\$ 831,372</u>	<u>\$ 2,386,783</u>	<u>\$ 3,114,131</u>	<u>\$ 407,527</u>	<u>\$ 118,836</u>

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	CEDIT Capital Projects	Police Pension	Fire Pension	EPA Brownfield Grant	Donations	Federal Grants	Federal Surplus Property
Cash and investments - beginning	\$ 1,165,573	\$ 1,107,682	\$ 412,140	\$ -	\$ 83,308	\$ 520	\$ 935
Receipts:							
Taxes	-	-	77,674	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	2,637,640	1,734,051	2,197,028	4,175	-	-	9,051
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	360,911	-	-	-	751,075	-	11
Total receipts	<u>2,998,551</u>	<u>1,734,051</u>	<u>2,274,702</u>	<u>4,175</u>	<u>751,075</u>	<u>-</u>	<u>9,062</u>
Disbursements:							
Personal services	70,294	2,054,195	2,120,487	-	-	-	-
Supplies	1,729	326	-	-	-	-	24
Other services and charges	170,447	418	325	4,175	484,021	-	-
Debt service - principal and interest	707,000	-	-	-	-	-	-
Capital outlay	1,110,872	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	127,200	-	-	-	-	-	-
Total disbursements	<u>2,187,542</u>	<u>2,054,939</u>	<u>2,120,812</u>	<u>4,175</u>	<u>484,021</u>	<u>-</u>	<u>24</u>
Excess (deficiency) of receipts over disbursements	<u>811,009</u>	<u>(320,888)</u>	<u>153,890</u>	<u>-</u>	<u>267,054</u>	<u>-</u>	<u>9,038</u>
Cash and investments - ending	<u>\$ 1,976,582</u>	<u>\$ 786,794</u>	<u>\$ 566,030</u>	<u>\$ -</u>	<u>\$ 350,362</u>	<u>\$ 520</u>	<u>\$ 9,973</u>

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Grant Line Road TIF	Park East TIF	State Street TIF	Garage TIF	Old Monon TIF	Abatement	Police/Child Victim
Cash and investments - beginning	\$ 2,414,547	\$ 1,826,596	\$ 1,702,329	\$ 350,348	\$ 891,273	\$ 69,588	\$ 22
Receipts:							
Taxes	415,377	927,434	1,063,175	378,065	688,933	8,550	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	4,056	3,010	2,300	382	1,710	-	-
Total receipts	<u>419,433</u>	<u>930,444</u>	<u>1,065,475</u>	<u>378,447</u>	<u>690,643</u>	<u>8,550</u>	<u>-</u>
Disbursements:							
Personal services	83,113	-	-	-	-	20,915	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	205,290	452,596	860,937	624,389	404,974	1,116	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>288,403</u>	<u>452,596</u>	<u>860,937</u>	<u>624,389</u>	<u>404,974</u>	<u>22,031</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>131,030</u>	<u>477,848</u>	<u>204,538</u>	<u>(245,942)</u>	<u>285,669</u>	<u>(13,481)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 2,545,577</u>	<u>\$ 2,304,444</u>	<u>\$ 1,906,867</u>	<u>\$ 104,406</u>	<u>\$ 1,176,942</u>	<u>\$ 56,107</u>	<u>\$ 22</u>

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Ambulance/Ems Non Reverting	Animal Control Runs Non Reverting	City Redevelopment	Communications Non Reverting	Community Promotions	Fire Run Contracts Non Reverting	Loop Island
Cash and investments - beginning	\$ 110,131	\$ 66,269	\$ 2,741	\$ 15,336	\$ 2,945	\$ 81,251	\$ 5,125
Receipts:							
Taxes	-	-	-	-	-	-	6,156
Licenses and permits	-	19,065	-	-	-	-	-
Intergovernmental	-	-	1,134,567	-	-	-	-
Charges for services	484,091	-	5,681	-	-	38,206	-
Fines and forfeits	-	2,100	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	89,378	-	-	-	15
Total receipts	<u>484,091</u>	<u>21,165</u>	<u>1,229,626</u>	<u>-</u>	<u>-</u>	<u>38,206</u>	<u>6,171</u>
Disbursements:							
Personal services	176,756	-	207,537	-	-	-	-
Supplies	93,011	1,724	-	-	-	-	-
Other services and charges	128,266	3,879	35	-	2,656	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	32,896	34,787	1,026,356	-	-	8,230	18,803
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>430,929</u>	<u>40,390</u>	<u>1,233,928</u>	<u>-</u>	<u>2,656</u>	<u>8,230</u>	<u>18,803</u>
Excess (deficiency) of receipts over disbursements	<u>53,162</u>	<u>(19,225)</u>	<u>(4,302)</u>	<u>-</u>	<u>(2,656)</u>	<u>29,976</u>	<u>(12,632)</u>
Cash and investments - ending	<u>\$ 163,293</u>	<u>\$ 47,044</u>	<u>\$ (1,561)</u>	<u>\$ 15,336</u>	<u>\$ 289</u>	<u>\$ 111,227</u>	<u>\$ (7,507)</u>

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	New Direction	Police/Drug Fund	Shelterhouse Parks	State Street Garage	Tree Board	Veterinary Non Reverting	Walking Patrol
Cash and investments - beginning	\$ 197	\$ 859	\$ 58,573	\$ 142,053	\$ 11,518	\$ 71,066	\$ 15,035
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	12,462	27,985	-	32,225	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	12,462	27,985	-	32,225	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	859	5,116	23,039	13	12,493	-
Other services and charges	-	-	-	-	300	22,115	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	930	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	859	6,046	23,039	313	34,608	-
Excess (deficiency) of receipts over disbursements	-	(859)	6,416	4,946	(313)	(2,383)	-
Cash and investments - ending	\$ 197	\$ -	\$ 64,989	\$ 146,999	\$ 11,205	\$ 68,683	\$ 15,035

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Homes Improvement	Rental Rehab	Farmer's Market	Highway 111	Excess Levy	Stormwater	Sanitation 2
Cash and investments - beginning	\$ 78,957	\$ 22,855	\$ 1,000	\$ 5,054,685	\$ -	\$ 1,165,798	\$ 101,790
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	17,009	-	-	-	-	1,457,574	2,183,563
Fines and forfeits	-	11,851	-	-	-	2,500	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	10,098	239,609	438	-
Total receipts	<u>17,009</u>	<u>11,851</u>	<u>-</u>	<u>10,098</u>	<u>239,609</u>	<u>1,460,512</u>	<u>2,183,563</u>
Disbursements:							
Personal services	-	-	-	-	-	756,220	-
Supplies	-	-	-	318	-	92,174	-
Other services and charges	-	-	-	3,121,797	-	191,305	2,208,783
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	6,215	-	-	20	-	66,044	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	120,000	-
Total disbursements	<u>6,215</u>	<u>-</u>	<u>-</u>	<u>3,122,135</u>	<u>-</u>	<u>1,225,743</u>	<u>2,208,783</u>
Excess (deficiency) of receipts over disbursements	<u>10,794</u>	<u>11,851</u>	<u>-</u>	<u>(3,112,037)</u>	<u>239,609</u>	<u>234,769</u>	<u>(25,220)</u>
Cash and investments - ending	<u>\$ 89,751</u>	<u>\$ 34,706</u>	<u>\$ 1,000</u>	<u>\$ 1,942,648</u>	<u>\$ 239,609</u>	<u>\$ 1,400,567</u>	<u>\$ 76,570</u>

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Reserve Liability	TIF Grant Line Debt Reserve	TIF Spring Street Debt Reserve	Park East Pledged TIF	TIF Financing	Caesar's Donations	TIF Daisy Lane Bond Proceeds
Cash and investments - beginning	\$ 149,132	\$ 533,015	\$ 202,950	\$ 642,350	\$ 220,000	\$ 917,863	\$ 276,458
Receipts:							
Taxes	46,830	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	3,056	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	180,000	-	-	885	-	1,413,400	-
Total receipts	<u>229,886</u>	<u>-</u>	<u>-</u>	<u>885</u>	<u>-</u>	<u>1,413,400</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	281,146	-	-	-	-	1,350,139	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	9
Total disbursements	<u>281,146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,350,139</u>	<u>9</u>
Excess (deficiency) of receipts over disbursements	<u>(51,260)</u>	<u>-</u>	<u>-</u>	<u>885</u>	<u>-</u>	<u>63,261</u>	<u>(9)</u>
Cash and investments - ending	<u>\$ 97,872</u>	<u>\$ 533,015</u>	<u>\$ 202,950</u>	<u>\$ 643,235</u>	<u>\$ 220,000</u>	<u>\$ 981,124</u>	<u>\$ 276,449</u>

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Neighborhood Stabilization Project	EECBG	Self Insurance	Cemetery Endowment	Payroll	Stormwater Bond	Wastewater Utility-Operating
Cash and investments - beginning	\$ -	\$ 124	\$ 65,956	\$ 218,216	\$ 580,175	\$ -	\$ 8,398,186
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	1,478,788	28,352	-	-	-	-	-
Charges for services	-	-	-	4,500	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	15,547,738
Other receipts	-	-	434,743	415	23,641,819	5,940,122	1,898,832
Total receipts	<u>1,478,788</u>	<u>28,352</u>	<u>434,743</u>	<u>4,915</u>	<u>23,641,819</u>	<u>5,940,122</u>	<u>17,446,570</u>
Disbursements:							
Personal services	-	18,234	29,401	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	1,751,390	10,242	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	8,067	-	-	1,392,690
Utility operating expenses	-	-	-	-	-	35,552	5,871,733
Other disbursements	-	-	148,474	-	23,679,776	-	12,718,329
Total disbursements	<u>1,751,390</u>	<u>28,476</u>	<u>177,875</u>	<u>8,067</u>	<u>23,679,776</u>	<u>35,552</u>	<u>19,982,752</u>
Excess (deficiency) of receipts over disbursements	<u>(272,602)</u>	<u>(124)</u>	<u>256,868</u>	<u>(3,152)</u>	<u>(37,957)</u>	<u>5,904,570</u>	<u>(2,536,182)</u>
Cash and investments - ending	<u>\$ (272,602)</u>	<u>\$ -</u>	<u>\$ 322,824</u>	<u>\$ 215,064</u>	<u>\$ 542,218</u>	<u>\$ 5,904,570</u>	<u>\$ 5,862,004</u>

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Sewer Operating Reserve	SRF Debt Serv. Reserve	SRF Bond And Interest	Sanitation 1	SRF Construction	1999 Debt Service Reserve	Totals
Cash and investments - beginning	\$ 60,552	\$ 1,097,596	\$ 1,756,455	\$ (5,771,885)	\$ -	\$ 36,048	\$ 37,180,785
Receipts:							
Taxes	-	-	-	-	-	-	17,999,746
Licenses and permits	-	-	-	-	-	-	563,239
Intergovernmental	-	-	-	-	-	-	18,097,562
Charges for services	-	-	-	2,248,726	-	-	7,234,637
Fines and forfeits	-	-	-	154,577	-	-	353,392
Utility fees	-	-	-	-	-	-	15,547,738
Other receipts	56	457,514	5,151,336	5,771,885	1,248,630	72,096	48,404,578
Total receipts	56	457,514	5,151,336	8,175,188	1,248,630	72,096	108,200,892
Disbursements:							
Personal services	-	-	-	-	-	-	23,171,372
Supplies	-	-	-	-	-	-	978,063
Other services and charges	-	-	-	2,183,563	-	-	14,277,547
Debt service - principal and interest	-	-	-	-	-	-	707,000
Capital outlay	-	-	-	-	1,248,630	-	11,522,144
Utility operating expenses	-	-	-	-	-	-	5,907,285
Other disbursements	-	-	5,147,595	-	-	72,096	42,929,688
Total disbursements	-	-	5,147,595	2,183,563	1,248,630	72,096	99,493,099
Excess (deficiency) of receipts over disbursements	56	457,514	3,741	5,991,625	-	-	8,707,793
Cash and investments - ending	\$ 60,608	\$ 1,555,110	\$ 1,760,196	\$ 219,740	\$ -	\$ 36,048	\$ 45,888,578

CITY OF NEW ALBANY
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ -	\$ 1,706,372
Sanitation	94,678	299,931
Governmental activities	520,781	354,109
Totals	\$ 615,459	\$ 2,360,412

CITY OF NEW ALBANY
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Ally	Fire Vehicle	\$ 8,805	06-25-12	06-25-15
Ford Motor Credit Co.	Diesel Dump Truck	10,086	06-18-11	05-25-15
TD Auto Finance	City Vehicle	5,123	03-06-08	03-06-13
TD Auto Finance	City Vehicle	<u>7,165</u>	03-06-08	03-06-13
Total governmental activities		<u>31,179</u>		
Wastewater:				
PNC	Jetaway Easement Machine	<u>7,215</u>	08-23-10	07-27-15
Total of annual lease payments		<u>\$ 38,394</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Scribner Aquatic Center	\$ 9,810,000	\$ 1,229,000
Revenue bonds	TIF Bonds Charlestown Road	775,000	279,900
Revenue bonds	TIF Bonds State Street (Daisy Lane Project)	2,970,000	270,544
Revenue bonds	TIF Bonds State Street Parking Garage	1,820,000	198,300
Revenue bonds	TIF Park East and Grant Line Series 2008	2,120,000	530,529
Revenue bonds	Economic Development-Kemper Project	<u>357,142</u>	<u>102,786</u>
Total governmental activities		<u>17,852,142</u>	<u>2,611,059</u>
Wastewater:			
Revenue bonds	Sewage Works Refunding Revenue Bonds of 2006	8,825,000	540,913
Revenue bonds	Sewage Works Revenue Bonds of 2006 (SRF)	1,041,000	110,795
Revenue bonds	Sewage Works Revenue Bonds of 2010 (SRF)	7,046,000	481,896
Revenue bonds	Sewage Works Revenue Bonds of 1998 Series A	1,515,000	288,791
Revenue bonds	Taxable Sewage Works Revenue Bonds of 1999	195,926	36,048
Revenue bonds	Sewage Works Revenue Bonds Series 2002 (SRF)	29,501,000	2,283,533
Revenue bonds	Sewage Works Refunding Bonds Series 2003	1,385,000	1,435,206
Revenue bonds	Sewage Works Refunding Bonds Series 2012	<u>6,000,000</u>	<u>185,000</u>
Total Wastewater		<u>55,508,926</u>	<u>5,362,182</u>
Totals		<u>\$ 73,361,068</u>	<u>\$ 7,973,241</u>

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS

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:** The City Controller's first deputy is responsible for collection of monies, issuing receipts, preparing and making deposits, and posting receipt transactions. Some bank reconciliations are not being reviewed and approved. Some disbursements were made without approval from the Board of Public Works and Safety.

Control activities should be selected and developed at various levels of the City to reduce risks to the achievement of financial reporting objectives. The City has not separated incompatible activities related to receipts, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain 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 statement and then determining how those identified risks should be managed. The City has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires City's Management and those charged with governance to monitor and assess the quality of the City's system of internal control. The City's Management and those charged with governance have 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 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.

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)

INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The City did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

During the audit of the SEFA, we noted that seven federal grants, with a total of \$1,588,915 in expenditures, had not been reported.

Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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.

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)

BANK ACCOUNT RECONCILIATIONS

The City has 18 bank accounts. A bookkeeper in the Controller's office had been assigned to perform the monthly bank reconciliations for 16 of the City's bank accounts. The monthly bank reconciliations for the remaining 2 bank accounts were to be performed by the former City Controller. These 2 bank accounts consisted of the City's main checking account and the Wastewater Utility Operating checking account.

An initial request for all the monthly bank reconciliations was made in May 2013. At that time, the monthly bank reconciliations for the 16 bank accounts performed by the Bookkeeper were presented for audit. The monthly reconciliations for the 2 remaining bank accounts handled by the former Controller were not presented at the time of the request. In August 2013, after the current Controller took office, management became aware that the former Controller had not performed monthly reconciliations for the City's main checking account since October 2012 and that the monthly bank reconciliations for the Wastewater Utility operating checking account had not been performed since December 2011. The monthly reconciliations for 2012, were then subsequently prepared and presented for audit.

Upon review of the monthly reconciliations, of all bank accounts, it was determined that the record balances were not fully reconciled to the depository balances for 2012. Monthly reconciliations performed consisted of verifying source documents (quietuses and checks) to deposits and checks clearing depositories each month, for each of the bank accounts, and to the transaction and balances recorded in the City's records. As of December 31, 2012, the City records indicate \$96,190 more in unidentified cash being held in its records than that being held in its 18 bank accounts.

Bank reconciliations presented for audit indicate that there is not proper management oversight or approval of the monthly bank reconciliations being performed. Additionally, monthly bank reconciliations 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."

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

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)

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)

ANNUAL REPORT

The Annual Report for 2012 contained a number of errors and did not properly reflect the City's grant activity and debt information as of December 31, 2012.

Seven federal grants were not reported resulting in an understatement of \$1,588,915 in federal grant expenditures.

A \$6,000,000 bond issue that was issued during 2012 was not reported and the ending principal balances of other debt were reported incorrectly resulting in an understatement of the City's principal debt balance of \$7,261,462. The principal and interest due within one year was also understated by \$255,620.

Adjustments for the above errors were proposed, accepted by the City, and subsequently made to the Annual Report for 2012.

Indiana Code 5-11-1-4(a) 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 sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

OVERDRAWN CASH BALANCES

The Loop Island Fund was overdrawn by \$7,507 at December 31, 2012.

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

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS

A test of claims identified the following deficiencies with an error rate greater than 10 percent:

Of the claims tested, 55 percent did not have documentation of an approval by the Board of Public Works and Safety. This resulted in \$123,209 of expenditures which did not have documentation of proper Board approval. Many claims were not listed on the claims dockets submitted to the Board for approval.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

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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 FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of New Albany's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-3. Our opinion on each major federal program is not modified with respect to these matters.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

The City's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

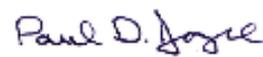
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-3 and 2012-4 to be material weaknesses.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

November 6, 2013

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the City. The schedule and notes are presented as intended by the City.

CITY OF NEW ALBANY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. Department of Commerce</u>				
Economic Development Cluster				
Economic Adjustment Assistance	Direct Grant			
Grantline Road West		11.307	06-79-05510	\$ 378,736
<u>U.S. Department of Housing and Urban Development</u>				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	Direct Grant			
FY 09		14.218	B-09-MC-180018	\$ 39,426
FY 10		14.218	B-10-MC-180018	788,394
FY 11		14.218	B-11-MC-180018	<u>303,747</u>
Total - CDBG - Entitlement Grants Cluster				<u>1,131,567</u>
CDBG - State-Administered CDBG Cluster				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Indiana Department of Housing and Community Development Authority			
Neighborhood Stabilization Project		14.228	NSP1-009-023	1,478,788
Owner Occupied Rehab		14.228	DR20R-011-003	<u>23,586</u>
Total - CDBG - State-Administered CDBG Cluster				<u>1,502,374</u>
Total - U.S. Department of Housing and Urban Development				<u>2,633,941</u>
<u>U.S. Department of Interior</u>				
Outdoor Recreation-Acquisition, Development and Planning	Indiana Department of Natural Resources	15.916	LWCF 1800546	<u>171,980</u>
<u>U.S. Department of Transportation</u>				
Highway Planning and Construction Cluster	Indiana Department of Transportation			
Highway Planning and Construction		20.205		
Reconstruction of Mt. Tabor Road			Des #0710808	84,053
McDonald Land Rehabilitation			Des #0300779	<u>253,623</u>
Total - Highway Planning and Construction Cluster				<u>337,676</u>
Highway Safety Cluster	Indiana Criminal Justice Institute			
State and Community Highway Safety		20.600		
FY 2012			PT-12-04-04-444	<u>24,000</u>
Total - U.S. Department of Transportation				<u>361,676</u>
<u>U.S. Department of Environmental Protection Agency</u>				
Capitalization Grants for Clean Water State Revolving Funds	Indiana Finance Authority	66.458		
2010 SRF Grant			WW09712205	<u>624,315</u>
<u>U.S. Department of Energy</u>				
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	Direct Grant	81.128	DE-FOA-0000013	<u>22,308</u>
<u>U.S. Department of Homeland Security</u>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Department of Homeland Security	97.036		
April 19, 2011 Storm			385PA1997	<u>52,207</u>
Total - U.S. Department of Homeland Security				<u>52,207</u>
Total federal awards expended				<u>\$ 4,245,163</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

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 statement. 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, 2012:

Program Title	Federal CFDA Number	2012
Community Development Block Grants/Entitlement Grants	14.218	
New Direction Housing Corporation		\$ 104,234
YMCA of Southern Indiana		12,234
Floyd County Youth Services		3,510
Our Place-Drug and Alcohol		3,697
Interfaith Community Council		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:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	Highway Planning and Construction Cluster Capitalization Grants for Clean Water State Revolving Funds CDBG - State-Administered CDBG Cluster Economic Development 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 2012-1 - 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 the achievement of financial reporting objectives. The City has not separated incompatible activities related to receipts, cash and investment balances, and some disbursements. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

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

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 statement and then determining how those identified risks should be managed. The City has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires City's Management and those charged with governance to monitor and assess the quality of the City's system of internal control. The City's Management and those charged with governance have not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place 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 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.

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)

***FINDING 2012-2 - INTERNAL CONTROLS OVER THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The City did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted that seven federal grants, with a total of \$1,588,915 in expenditures, had not been reported.

Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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.

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

OMB Circular A-133, Subpart C, section. 300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section.310."

OMB Circular A-133, Subpart C, section. 310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision I the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-3 - REPORTING

Federal Agency: U.S. Department of Transportation
Federal Program: Highway Planning and Construction
CFDA Number: 20.205
Federal Award Number and Year (or Other Identifying Number): Des. No. 0300779, 0710808
Pass-Through Entity: Indiana Department of Transportation

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

The City's Highway Planning and Construction Grants require that quarterly progress and performance reports be filed with the Indiana Department of Transportation (INDOT). These reports are due by the 21st of the month following the quarter ending. The City has hired a Project Manager to complete these reports and then submit these reports to the City's Public Works Project Supervisor for review, approval, and submission to INDOT. These control procedures were designed to help ensure that the quarterly reports are properly prepared, approved, and filed timely. A review of the quarterly reports for these grants determined that the controls are not being followed and the quarterly reports are not always being prepared, approved, and filed timely. For the audit period, the City failed to file the required 2012 quarterly reports for the 1st and 2nd quarters for Project No. 0300779 and for the 1st, 2nd, and 4th quarters for Project No. 0710808.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . .

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs. . . ."

Indiana Department of Transportation - Local Public Agency Project Coordination Contract Attachment B section (12) states: "The LPA shall submit reports to INDOT regarding the project's progress and the performance of work per INDOT standard reporting methods."

The lack of filing of the required reports, as required by the Project Coordination Contracts, could result in the loss of federal funds to the City.

We recommended the City follow the reporting compliance requirements related to the program. We further recommended the City implement the controls that have been designed by management for reporting.

FINDING 2012-4 - INTERNAL CONTROLS OVER DAVIS-BACON REQUIREMENTS

Federal Agency: U.S. Department of Commerce

Federal Program: Economic Assistance Adjustment

CFDA Number: 11.307

Federal Award Number and Year (or Other Identifying Number): 06-79-05510

Management of the City of New Albany has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements that apply to Davis Bacon. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In

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

order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City's management establish and implement controls, including segregation of duties, related to the grant agreement and compliance requirements that apply to Davis Bacon.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2011-1 : EQUIPMENT AND REAL PROPERTY MANAGEMENT

Original SBA Audit Report Number	B41949
Fiscal Year	2012
Auditee Contact Person	Linda Moller
Title of Contact Person	City Controller
Phone Number	(812) 948-5333
Status of Finding	On- going . The City is continuing its in-house work to compile adequate capital asset records. The continuing possibility of hiring an outside firm to complete listings of all city and utility owned capital assets will be looked at when and if funding is available. In addition, the City is investigating the purchase of new financial software for the Controller's Office which has potential modules for capital assets.



City Controller

8-21-13

Date



FOUNDED 1813

City of New Albany

City Controller

CORRECTIVE ACTION PLAN – 2012 AUDIT FINDINGS

Auditee Contact Person: Linda S. Moeller
Title of Contact Person: Controller
Phone Number: 812-948-5333

Section II – Financial Statement Findings

FINDING 2012 -1: INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

(1)The City of New Albany has taken the necessary actions to establish controls related to receipts, cash and investments, financial statements and payroll. All bank deposits and payroll will be reviewed and initialed by the Controller. All bank reconcilements will be reviewed and include a signature confirmation by the Controller. Any financial transactions performed by the Controller will be reviewed by another member of the Controller's Office with a signature for approval on the document. The internal controls are put in place now and will be appear on documents for the 2013 audit.

(2)Personnel are working to evaluate internal controls over financial reporting to determine weaknesses that could result in material misstatements of the City's financial statements. Already implemented is a tracking method of wastewater and sanitation transfers. Report of Collection amounts will be verified by attaching substantiating reports, deposits will be verified to the bank, timely data input in New World software and a final step of entry on a spreadsheet. These reports can then be used for bank reconcilment. Bank reconcilment sheets will include a detailed accounting of deposits, debits, interest, chargeback, transit amounts and any issues that occurred during that reporting period.

(3)The City is developing a policy which establishes internal controls that will prevent or detect material misstatements and to identify and communicate corrective actions to improve controls.

FINDING 2012-2: INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The City has designated a person in the Controller's Office to monitor the timely filing of reports for Federal awards and Grants. Duties include tracking of receipts/disbursements and the recording of all activities.

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-3 - INTERNAL CONTROLS OVER REPORTING

Federal Agency: U.S. Department of Transportation
Federal Program: Highway Planning and Construction
CFDA Number: 20.205
Federal Award Number and Year (or Other Identifying Number): Des. No. 0300779, 0710808
Pass-Through Entity: Indiana Department of Transportation

All reports for 2012 and 2013 have been submitted.
During our review it has been determined that several occurrences were contributing factors. These include the inability to obtain a reporting schedule from INDOT, the change to KIPDA for the submission of the reports and a change in INDOT Project Manager creating difficulty getting information during the transition. The City Public Facilities Assistant position became vacant in July 2012 and the city had its biggest thoroughfare project construction year in 2012.

FINDING 2012-4 - INTERNAL CONTROLS OVER DAVIS BACON REQUIREMENTS

Federal Agency: U.S. Department of Commerce
Federal Program: Economic Assistance Adjustment
CFDA Number: 11.307
Federal Award Number and Year (or Other Identifying Number): 06-79-05510

A person has been assigned in the Controller's Office to maintain a copy of the reports from River Hills, the grant administrator.



Linda S. Moeller
City of New Albany Controller

CITY OF NEW ALBANY
EXIT CONFERENCE

The contents of this report were discussed on November 6, 2013, with Linda S. Moeller, Controller; Jeff Gahan, Mayor; and Pat McLaughlin, President of the Common Council. The Official Response has been made a part of this report and may be found on pages 53 and 54.

The contents of this report were also discussed on November 6, 2013, with Diane Benedetti, Common Council member.



City of New Albany

City Controller

November 14, 2013

State Board of Accounts
Cities and Towns
302 W. Washington Street, Room E-418
Indianapolis, IN 46204-2765

Re: "OFFICIAL RESPONSE"

The City of New Albany Administration is pleased with the findings of an unmodified report with no significant deficiencies as revealed during the November 6, 2013 State Board of Accounts "exit conference". The conference was conducted by Jonathan Wineinger, State Board of Accounts Field Consultant. Those present with the City of New Albany were Mayor Jeff Gahan, Pat McLaughlin, Council President and Linda Moeller, Controller.

Internal controls over financial transactions and reporting

Additional steps have been initiated as recommended. Persons have been assigned the duties of reviewing/initialing reports and statements that represent receipts, cash, investment balances and bank reconcilements.

Internal controls over the schedule of expenditures of Federal Awards

Internal controls have been established as stated in response presented at exit conference. We will continue to monitor and establish procedures within the Controller's Office as needed.

Bank account reconciliations

Following a review of past SBOA audits the City has made significant strides with regard to bank reconciliation. Sixteen of the eighteen bank accounts are reconciled on a monthly basis. Two accounts had a longstanding history of report insufficiencies and the City took corrective measures. The accounting office of Rodefer Moss was contracted to reconcile the bank account that contains funds for Sewer, Wastewater and Sanitation. Bank balance reports were submitted to the Controller's Office on a

regular basis. The other account is the operating account for the City. The Controller at the time, Mary Ann Prestiagiacomio, worked diligently to reconcile this account and was beginning to get positive results right before her sudden passing. Going forward a CPA has been added to the Controller's staff to assist with bank reconciliation and coordinate the upgrading of computer software. Emphasis is being placed on the reconciliation of these two accounts and the continued reconciliation of the other sixteen bank accounts. The bank account for the Sewer Department is currently reconciled. A policy is being developed for the review of monthly bank reconciliations.

Annual report

Accurate reporting of Grants and Federal Awards will be emphasized in the subsequent years. The use of the State program called Gateway for reporting was relatively new and it appears that figures were calculated for a calendar year and not a fiscal year. The report has been updated with the correct figures and is noted for future reporting purposes.

Overdrawn cash balances

Budget to Actual reports are run and distributed to department heads for review monthly. The City is currently in the final stages of procuring new software to assist in preventing situations of this nature in the future.

Errors on claims

By Ordinance the Controller has the authority to pay utility and other claims that could result in penalty or interest fees. The Ordinance did not require approval by the Board of Works for those types of claims. For each meeting a listing of all claims is prepared for each Board member to review and approve. The Controller has implemented procedures to insure all transactions are included in the listing for Board review which include paid utility transactions, transfers and all submitted claims.

Respectfully Submitted,

A handwritten signature in black ink that reads "Linda S. Moeller". The signature is written in a cursive style with a large initial "L" and "M".

Linda S. Moeller
City of New Albany, Controller