

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, 2013 to December 31, 2013



FILED
10/30/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Mary Ann Prestigiacomo Sandy Boofter (Interim) Linda S. Moeller	01-01-13 to 07-07-13 07-08-13 to 08-02-13 08-03-13 to 12-31-14
Mayor	Jeff Gahan	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Warren Nash	01-01-13 to 12-31-14
President of the Common Council	Pat McLaughlin	01-01-13 to 12-31-14
Superintendent of Wastewater Utility	Robert Sartell	01-01-13 to 12-31-14
Utility Office Manager	April Dickey	01-01-13 to 12-31-14



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, 2013, 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, 2013.

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, 2013, 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 September 18, 2014, 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 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.


Paul D. Joyce, CPA
State Examiner

September 18, 2014



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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, 2013, and the related notes to the financial statement, and have issued our report thereon dated September 18, 2014, 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 2013-001 and 2013-002 to be material weaknesses.

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)

Compliance and Other Matters

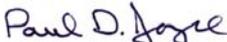
As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-002.

City of New Albany's Response to Findings

The City's response to the 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 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

September 18, 2014

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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, 2013

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
General	\$ 441,719	\$ 20,268,851	\$ 19,007,109	\$ 1,703,461
Motor Vehicle Highway	3,380	1,430,138	1,262,131	171,387
Local Road And Street	523,891	377,198	694,952	206,137
Parking Meter	109,615	73,503	99,846	83,272
Park Nonreverting Operating	335,674	107,923	346,960	96,637
Abandoned Vehicle	102,366	109,408	147,046	64,728
Law Enforcement Continuing Education	14,771	29,473	37,033	7,211
Unsafe Building	82,892	40,320	89,186	34,026
Riverboat	1,889,556	1,008,619	706,737	2,191,438
Parks And Recreation Operating	160,934	575,930	728,957	7,907
Rainy Day	831,372	-	119,476	711,896
Grant Line Bond TIF	2,386,784	557,846	1,112,824	1,831,806
Owner Occupied Rehab	-	309,560	309,560	-
Redevelopment Bond (Proceeds)	3,114,131	1,669,596	707,881	4,075,846
Cumulative Park	407,527	108,062	122,217	393,372
Cumulative Capital Improvement	118,836	97,641	76,068	140,409
CEDIT Capital Projects	1,976,582	2,580,195	2,368,641	2,188,136
Police Pension	786,794	1,741,972	1,788,883	739,883
Fire Pension	566,030	1,926,142	2,131,689	360,483
EPA Brownfield Grant	-	63,879	63,879	-
Donations	350,362	100,496	379,830	71,028
Federal Grants	520	-	-	520
Federal Surplus Property	9,973	22,791	11,935	20,829
Grant Line Road TIF	2,545,577	429,115	293,888	2,680,804
Park East TIF	2,304,444	719,494	411,302	2,612,636
State Street TIF	1,906,866	2,436,155	1,529,363	2,813,658
Garage TIF	104,406	390,783	216,790	278,399
Old Monon TIF	1,176,942	1,782,318	1,328,466	1,630,794
Abatement	56,107	201,382	29,492	227,997
Police/Child Victim	22	-	-	22
Ambulance/Ems Nonreverting	163,293	64,231	144,880	82,644
Animal Control Runs Nonreverting	47,044	17,488	12,153	52,379
City Redevelopment	(1,561)	861,147	853,348	6,238
Communications Nonreverting	15,336	-	-	15,336
Community Promotions	289	-	156	133
Fire Run Contracts Nonreverting	111,227	73,400	46,530	138,097
Loop Island	(7,507)	31,442	12,026	11,909
New Direction	197	-	-	197
Shelterhouse Parks	64,989	7,205	32,003	40,191
State Street Garage	146,999	30,087	27,589	149,497
Tree Board	11,205	-	1,316	9,889
Veterinary Nonreverting	68,683	28,685	32,059	65,309
Walking Patrol	15,035	-	-	15,035
Homes Improvement	89,751	16,958	48	106,661
Rental Rehab	34,706	167,635	1,919	200,422
Farmer's Market	1,000	-	-	1,000
Highway 111	1,942,648	373,002	580,155	1,735,495
Excess Levy	239,609	-	239,609	-
Stormwater	1,400,567	2,156,950	1,653,401	1,904,116
Sanitation 2	76,570	2,413,488	2,302,665	187,393
Reserve Liability	97,872	292,952	166,445	224,379
TIF Grant Line Debt Reserve	533,016	-	-	533,016
TIF Spring Street Debt Reserve	202,950	-	-	202,950
Park East Pledged TIF	643,235	1,036	-	644,271
TIF Financing	220,000	-	-	220,000
Caesar's Donations	981,124	1,282,657	1,328,359	935,422
TIF Daisy Lane Bond Proceeds	276,450	-	-	276,450
Neighborhood Stabilization Project	(272,603)	584,764	312,161	-
EECBG	-	69,825	69,825	-
Self Insurance	322,824	241,925	551,715	13,034
Cemetery Endowment	215,064	9,301	13,017	211,348
Payroll	542,218	25,628,398	26,057,661	112,955
Stormwater Bond	5,904,570	59,123	933,845	5,029,848
Wastewater Utility-Operating	5,862,000	16,493,551	14,964,783	7,390,768
Sewer Utility Bond And Interest	-	36,084	36,534	(450)
Sewer Operating Reserve	60,608	14	-	60,622
SRF Debt Serv. Reserve	1,555,110	492,300	-	2,047,410
SRF Bond And Interest	1,760,196	5,511,993	5,381,751	1,890,438
Sanitation 1	219,740	2,435,890	2,413,488	242,142
SRF Construction	-	685,617	685,617	-
2012 SRF DSR	-	385,100	-	385,100
1999 Debt Service Reserve	36,048	-	36,048	-
Totals	\$ 45,888,575	\$ 99,611,038	\$ 95,013,247	\$ 50,486,366

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, storm water, trash, 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

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

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

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial 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.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENT
(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 a cost-sharing 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 Capitol 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 Capitol 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. 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 8. Cash Balance Deficit

The financial statement contained one fund with a deficit in cash. This is the result of an uncorrected positing error at December 31, 2013. The posting error was subsequently corrected in 2014.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. Subsequent Events

On July 7, 2014, the City's Common Council adopted Ordinance No. G-14-13 authorizing the issuance of Sewer Works Revenue Bonds, Series 2014, in the amount of \$28,723,000 for the purpose of refunding \$28,191,000 in outstanding principal amount of Sewer Works Revenue Bonds, Series 2002, and \$1,295,000 in outstanding principal amount of Sewer Works Revenue Bonds 1998, Series A. Savings from the refunding is estimated at \$1,105,569.

On July 1, 2014, the Board Public Works and Safety accepted a bid from New Washington State Bank for the financing of a ladder truck and fire equipment. The \$1,100,500 loan is for a five year fixed term with a seven year amortization at an interest rate of 2.29 percent.

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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, 2013

	General	Motor Vehicle Highway	Local Road And Street	Parking Meter	Park Nonreverting Operating	Abandoned Vehicle	Law Enforcement Continuing Education
Cash and investments - beginning	\$ 441,719	\$ 3,380	\$ 523,891	\$ 109,615	\$ 335,674	\$ 102,366	\$ 14,771
Receipts:							
Taxes	13,521,418	-	-	-	-	-	-
Licenses and permits	663,592	-	-	-	-	-	15,830
Intergovernmental	5,178,094	1,084,680	377,198	-	-	-	-
Charges for services	184,689	-	-	-	104,114	-	13,643
Fines and forfeits	-	-	-	64,910	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	721,058	345,458	-	8,593	3,809	109,408	-
Total receipts	<u>20,268,851</u>	<u>1,430,138</u>	<u>377,198</u>	<u>73,503</u>	<u>107,923</u>	<u>109,408</u>	<u>29,473</u>
Disbursements:							
Personal services	16,467,647	1,117,994	-	41,698	59,734	10,200	-
Supplies	481,801	67,259	-	720	276,203	15,769	306
Other services and charges	2,057,361	76,878	478,999	50,834	11,023	91,209	36,727
Debt service - principal and interest	300	-	-	-	-	-	-
Capital outlay	-	-	215,953	6,594	-	29,868	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>19,007,109</u>	<u>1,262,131</u>	<u>694,952</u>	<u>99,846</u>	<u>346,960</u>	<u>147,046</u>	<u>37,033</u>
Excess (deficiency) of receipts over disbursements	<u>1,261,742</u>	<u>168,007</u>	<u>(317,754)</u>	<u>(26,343)</u>	<u>(239,037)</u>	<u>(37,638)</u>	<u>(7,560)</u>
Cash and investments - ending	<u>\$ 1,703,461</u>	<u>\$ 171,387</u>	<u>\$ 206,137</u>	<u>\$ 83,272</u>	<u>\$ 96,637</u>	<u>\$ 64,728</u>	<u>\$ 7,211</u>

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Unsafe Building	Riverboat	Parks And Recreation Operating	Rainy Day	Grant Line Bond TIF	Owner Occupied Rehab	Redevelopment Bond (Proceeds)
Cash and investments - beginning	\$ 82,892	\$ 1,889,556	\$ 160,934	\$ 831,372	\$ 2,386,784	\$ -	\$ 3,114,131
Receipts:							
Taxes	-	-	533,664	-	-	-	1,664,465
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	1,008,619	37,971	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	40,320	-	4,295	-	557,846	309,560	5,131
Total receipts	40,320	1,008,619	575,930	-	557,846	309,560	1,669,596
Disbursements:							
Personal services	1,102	-	453,517	-	-	-	-
Supplies	-	-	37,741	-	-	-	-
Other services and charges	35,094	-	237,699	-	-	309,560	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	250,288	-	-	-	-	707,881
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	52,990	456,449	-	119,476	1,112,824	-	-
Total disbursements	89,186	706,737	728,957	119,476	1,112,824	309,560	707,881
Excess (deficiency) of receipts over disbursements	(48,866)	301,882	(153,027)	(119,476)	(554,978)	-	961,715
Cash and investments - ending	\$ 34,026	\$ 2,191,438	\$ 7,907	\$ 711,896	\$ 1,831,806	\$ -	\$ 4,075,846

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Cumulative Park	Cumulative Capital Improvement	CEDIT Capital Projects	Police Pension	Fire Pension	EPA Brownfield Grant	Donations
Cash and investments - beginning	\$ 407,527	\$ 118,836	\$ 1,976,582	\$ 786,794	\$ 566,030	\$ -	\$ 350,362
Receipts:							
Taxes	100,434	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	6,732	97,641	2,580,195	1,741,972	1,926,142	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	896	-	-	-	-	63,879	100,496
Total receipts	108,062	97,641	2,580,195	1,741,972	1,926,142	63,879	100,496
Disbursements:							
Personal services	-	-	850,373	1,785,354	2,131,313	-	-
Supplies	-	-	2,689	693	276	-	-
Other services and charges	7,890	600	190,956	2,608	100	63,879	-
Debt service - principal and interest	-	-	137,000	-	-	-	-
Capital outlay	114,327	75,468	1,149,831	228	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	37,792	-	-	-	379,830
Total disbursements	122,217	76,068	2,368,641	1,788,883	2,131,689	63,879	379,830
Excess (deficiency) of receipts over disbursements	(14,155)	21,573	211,554	(46,911)	(205,547)	-	(279,334)
Cash and investments - ending	\$ 393,372	\$ 140,409	\$ 2,188,136	\$ 739,883	\$ 360,483	\$ -	\$ 71,028

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Federal Grants	Federal Surplus Property	Grant Line Road TIF	Park East TIF	State Street TIF	Garage TIF	Old Monon TIF
Cash and investments - beginning	\$ 520	\$ 9,973	\$ 2,545,577	\$ 2,304,444	\$ 1,906,866	\$ 104,406	\$ 1,176,942
Receipts:							
Taxes	-	-	425,031	715,872	2,433,339	390,736	1,780,463
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	22,791	4,084	3,622	2,816	47	1,855
Total receipts	-	22,791	429,115	719,494	2,436,155	390,783	1,782,318
Disbursements:							
Personal services	-	-	85,733	-	-	-	-
Supplies	-	11,815	-	-	-	-	-
Other services and charges	-	120	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	208,155	411,302	1,529,363	216,790	1,328,466
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	11,935	293,888	411,302	1,529,363	216,790	1,328,466
Excess (deficiency) of receipts over disbursements	-	10,856	135,227	308,192	906,792	173,993	453,852
Cash and investments - ending	<u>\$ 520</u>	<u>\$ 20,829</u>	<u>\$ 2,680,804</u>	<u>\$ 2,612,636</u>	<u>\$ 2,813,658</u>	<u>\$ 278,399</u>	<u>\$ 1,630,794</u>

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Abatement	Police/Child Victim	Ambulance/Ems Nonreverting	Animal Control Runs Nonreverting	City Redevelopment	Communications Nonreverting	Community Promotions
Cash and investments - beginning	\$ 56,107	\$ 22	\$ 163,293	\$ 47,044	\$ (1,561)	\$ 15,336	\$ 289
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	7,413	-	-	-
Intergovernmental	-	-	-	-	781,734	-	-
Charges for services	-	-	55,701	-	-	-	-
Fines and forfeits	-	-	-	575	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	201,382	-	8,530	9,500	79,413	-	-
Total receipts	201,382	-	64,231	17,488	861,147	-	-
Disbursements:							
Personal services	28,198	-	23,601	-	204,265	-	-
Supplies	-	-	37,956	507	-	-	156
Other services and charges	-	-	82,378	11,646	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	1,294	-	-	-	649,083	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	945	-	-	-	-
Total disbursements	29,492	-	144,880	12,153	853,348	-	156
Excess (deficiency) of receipts over disbursements	171,890	-	(80,649)	5,335	7,799	-	(156)
Cash and investments - ending	\$ 227,997	\$ 22	\$ 82,644	\$ 52,379	\$ 6,238	\$ 15,336	\$ 133

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Fire Run Contracts Nonreverting	Loop Island	New Direction	Shelterhouse Parks	State Street Garage	Tree Board	Veterinary Nonreverting
Cash and investments - beginning	\$ 111,227	\$ (7,507)	\$ 197	\$ 64,989	\$ 146,999	\$ 11,205	\$ 68,683
Receipts:							
Taxes	-	12,762	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	50,235	18,680	-	7,205	30,087	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	23,165	-	-	-	-	-	28,685
Total receipts	73,400	31,442	-	7,205	30,087	-	28,685
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	31,651	27,589	-	10,885
Other services and charges	-	-	-	-	-	1,316	21,174
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	46,530	12,026	-	352	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	46,530	12,026	-	32,003	27,589	1,316	32,059
Excess (deficiency) of receipts over disbursements	26,870	19,416	-	(24,798)	2,498	(1,316)	(3,374)
Cash and investments - ending	\$ 138,097	\$ 11,909	\$ 197	\$ 40,191	\$ 149,497	\$ 9,889	\$ 65,309

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Walking Patrol	Homes Improvement	Rental Rehab	Farmer's Market	Highway 111	Excess Levy	Stormwater
Cash and investments - beginning	\$ 15,035	\$ 89,751	\$ 34,706	\$ 1,000	\$ 1,942,648	\$ 239,609	\$ 1,400,567
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	2,130,173
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	16,958	167,635	-	373,002	-	26,777
Total receipts	-	16,958	167,635	-	373,002	-	2,156,950
Disbursements:							
Personal services	-	-	-	-	-	-	844,306
Supplies	-	-	-	-	-	-	112,447
Other services and charges	-	-	1,919	-	580,155	-	181,813
Debt service - principal and interest	-	-	-	-	-	-	426,159
Capital outlay	-	48	-	-	-	-	63,074
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	239,609	25,602
Total disbursements	-	48	1,919	-	580,155	239,609	1,653,401
Excess (deficiency) of receipts over disbursements	-	16,910	165,716	-	(207,153)	(239,609)	503,549
Cash and investments - ending	\$ 15,035	\$ 106,661	\$ 200,422	\$ 1,000	\$ 1,735,495	\$ -	\$ 1,904,116

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Sanitation 2	Reserve Liability	TIF Grant Line Debt Reserve	TIF Spring Street Debt Reserve	Park East Pledged TIF	TIF Financing
Cash and investments - beginning	\$ 76,570	\$ 97,872	\$ 533,016	\$ 202,950	\$ 643,235	\$ 220,000
Receipts:						
Taxes	-	77,752	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	5,532	-	-	-	-
Charges for services	2,413,488	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	209,668	-	-	1,036	-
Total receipts	<u>2,413,488</u>	<u>292,952</u>	<u>-</u>	<u>-</u>	<u>1,036</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	2,302,665	166,445	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>2,302,665</u>	<u>166,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>110,823</u>	<u>126,507</u>	<u>-</u>	<u>-</u>	<u>1,036</u>	<u>-</u>
Cash and investments - ending	<u>\$ 187,393</u>	<u>\$ 224,379</u>	<u>\$ 533,016</u>	<u>\$ 202,950</u>	<u>\$ 644,271</u>	<u>\$ 220,000</u>

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Caesar's Donations	TIF Daisy Lane Bond Proceeds	Neighborhood Stabilization Project	EECBG	Self Insurance	Cemetery Endowment
Cash and investments - beginning	\$ 981,124	\$ 276,450	\$ (272,603)	\$ -	\$ 322,824	\$ 215,064
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	1,282,657	-	584,764	69,825	241,925	9,301
Total receipts	<u>1,282,657</u>	<u>-</u>	<u>584,764</u>	<u>69,825</u>	<u>241,925</u>	<u>9,301</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	1,328,359	-	312,161	69,825	533,043	3,961
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	9,056
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	18,672	-
Total disbursements	<u>1,328,359</u>	<u>-</u>	<u>312,161</u>	<u>69,825</u>	<u>551,715</u>	<u>13,017</u>
Excess (deficiency) of receipts over disbursements	<u>(45,702)</u>	<u>-</u>	<u>272,603</u>	<u>-</u>	<u>(309,790)</u>	<u>(3,716)</u>
Cash and investments - ending	<u>\$ 935,422</u>	<u>\$ 276,450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,034</u>	<u>\$ 211,348</u>

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Payroll	Stormwater Bond	Wastewater Utility-Operating	Sewer Utility Bond And Interest	Sewer Operating Reserve	SRF Debt Serv. Reserve
Cash and investments - beginning	\$ 542,218	\$ 5,904,570	\$ 5,862,000	\$ -	\$ 60,608	\$ 1,555,110
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	15,911,945	-	-	-
Other receipts	25,628,398	59,123	581,606	36,084	14	492,300
Total receipts	25,628,398	59,123	16,493,551	36,084	14	492,300
Disbursements:						
Personal services	-	-	2,119,085	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	139,169	-	-	-
Debt service - principal and interest	-	933,845	5,755,880	-	-	-
Capital outlay	-	-	1,433,986	-	-	-
Utility operating expenses	-	-	3,789,790	-	-	-
Other disbursements	26,057,661	-	1,726,873	36,534	-	-
Total disbursements	26,057,661	933,845	14,964,783	36,534	-	-
Excess (deficiency) of receipts over disbursements	(429,263)	(874,722)	1,528,768	(450)	14	492,300
Cash and investments - ending	\$ 112,955	\$ 5,029,848	\$ 7,390,768	\$ (450)	\$ 60,622	\$ 2,047,410

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	SRF Bond And Interest	Sanitation 1	SRF Construction	2012 SRF DSR	1999 Debt Service Reserve	Totals
Cash and investments - beginning	\$ 1,760,196	\$ 219,740	\$ -	\$ -	\$ 36,048	\$ 45,888,575
Receipts:						
Taxes	-	-	-	-	-	21,655,936
Licenses and permits	-	-	-	-	-	686,835
Intergovernmental	-	-	-	-	-	14,826,510
Charges for services	-	-	-	-	-	5,008,015
Fines and forfeits	-	114,244	-	-	-	179,729
Utility fees	-	-	-	-	-	15,911,945
Other receipts	5,511,993	2,321,646	685,617	385,100	-	41,342,068
Total receipts	5,511,993	2,435,890	685,617	385,100	-	99,611,038
Disbursements:						
Personal services	-	-	-	-	-	26,224,120
Supplies	-	-	-	-	-	1,116,463
Other services and charges	-	2,413,488	-	-	-	11,801,054
Debt service - principal and interest	5,381,751	-	-	-	-	12,634,935
Capital outlay	-	-	685,617	-	-	9,145,580
Utility operating expenses	-	-	-	-	-	3,789,790
Other disbursements	-	-	-	-	36,048	30,301,305
Total disbursements	5,381,751	2,413,488	685,617	-	36,048	95,013,247
Excess (deficiency) of receipts over disbursements	130,242	22,402	-	385,100	(36,048)	4,597,791
Cash and investments - ending	\$ 1,890,438	\$ 242,142	\$ -	\$ 385,100	\$ -	\$ 50,486,366

CITY OF NEW ALBANY
SCHEDULE OF LEASES AND DEBT
December 31, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
ally	Fire Vehicle 9234	\$ 8,805	06/25/12	06/25/16
ally	Fire Vehicle 5439	8,351	12/20/13	12/20/18
ally	Fire Vehicle 3545	15,642	03/26/13	03/26/17
ally	Fire Vehicle 9052	7,240	12/20/13	12/20/18
ally	Fire Vehicle 3716	5,139	12/20/13	12/20/18
ally	Parks Vehicle 8853	5,375	10/17/13	10/17/16
ally	Fire Vehicle 5172	16,903	03/26/13	03/26/17
ally	Police Vehicle 0486	5,904	12/30/13	12/30/15
Ford Motor Credit Co.	Diesel Dump Truck 7507	10,086	06/18/11	05/25/15
New Albany Redevelopment Authority	Scribner Aquatic Center	1,231,000	12/12/05	02/01/22
New Albany Redevelopment Authority	Park Facilities *	<u>1,685,000</u>	03/12/13	01/01/36
Total governmental activities		<u>2,999,445</u>		
Wastewater:				
PNC	Jetaway Easement Machine	7,215	08/23/10	07/27/15
Sun Trust	Freightliner Aquatech 0283	<u>63,403</u>	06/27/13	07/01/17
Total Wastewater		<u>70,618</u>		
Total of annual lease payments		<u>\$ 3,070,063</u>		

* - First lease payment is due January 1, 2016

Type	Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Revenue bonds	TIF Bonds Charlestown Road	\$ 530,000	\$ 278,270
Revenue bonds	TIF Bonds State Street (Daisy Lane Project)	2,015,000	269,200
Revenue bonds	TIF Bonds State Street Parking Garage	1,720,000	196,075
Revenue bonds	TIF Park East and Grant Line Series 2008	5,295,000	521,292
Revenue bonds	Economic Development-Kemper Project	<u>267,857</u>	<u>99,836</u>
Total governmental activities		<u>9,827,857</u>	<u>1,364,673</u>
Wastewater:			
Revenue bonds	Sewage Works Refunding Revenue Bonds of 2006	8,675,000	1,979,912
Revenue bonds	Sewage Works Revenue Bonds of 2006 (SRF)	958,000	110,579
Revenue bonds	Sewage Works Revenue Bonds of 2010 (SRF)	6,683,529	481,668
Revenue bonds	Sewage Works Revenue Bonds of 1998 Series A	1,295,000	294,112
Revenue bonds	Sewage Works Revenue Bonds Series 2002 (SRF)	28,191,001	2,279,304
Revenue bonds	Sewage Works Refunding Bonds Series 2012	<u>5,815,000</u>	<u>369,000</u>
Total Wastewater		<u>51,617,530</u>	<u>5,514,575</u>
Totals		<u>\$ 61,445,387</u>	<u>\$ 6,879,248</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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, 2013. 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, 2013.

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

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 2013-005. Our opinion on each major federal program is not modified with respect to these matters.

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

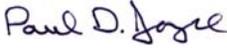
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of 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 2013-003, 2013-004, and 2013-005 to be material weaknesses.

The City's response to the internal control over compliance 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.

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

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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, 2013

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>Department of Commerce</u>				
Economic Development Cluster Economic Adjustment Assistance Grantline Road West	Direct Grant	11.307	06-79-05510	\$ 553,407
Total - Department of Commerce				<u>553,407</u>
<u>Department of Housing and Urban Development</u>				
CDBG - Entitlement Grants Cluster Community Development Block Grants/Entitlement Grants FY06 FY11 FY12	Direct Grant	14.218	B06-MC-180018 B-11MC-180018 B-12MC-180018	36,509 357,206 <u>388,019</u>
Total - CDBG - Entitlement Grants Cluster				<u>781,734</u>
CDBG - State-Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Neighborhood Stabilization Project Owner Occupied Rehab	Indiana Department of Housing and Community Development Authority	14.228	NSP1-009023 DR20R-011-003	584,764 <u>309,560</u>
Total - CDBG - State-Administered CDBG Cluster				<u>894,324</u>
Total - Department of Housing and Urban Development				<u>1,676,058</u>
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster Highway Planning and Construction McDonald Lane Rehabilitation Reconstruction of Mt. Tabor Grant Line Bike/Ped Way Grant Line 111 South Spring St/Silver St Intersection Charlestown Rd/Beechwood Ave Intersection State St Traffic Signals	Indiana Department of Transportation	20.205	DES#0300779 DES#0710808 DES#0710810 DES#0901276 DES#1006046 DES#1006047 DES#800745	58,517 213,798 58,990 126,729 18,459 21,206 <u>55,020</u>
Total - Highway Planning and Construction Cluster				<u>552,719</u>
Highway Safety Cluster State and Community Highway Safety Fiscal Year 2013	Indiana Criminal Justice Institute	20.600	PT-12-04-04-444	<u>24,000</u>
Total - Highway Safety Cluster				<u>24,000</u>
Total - Department of Transportation				<u>576,719</u>
<u>Environmental Protection Agency</u>				
Brownfields Assessment and Cleanup Cooperative Agreements Brownfields Assessment	Direct Grant	66.818	BF-00E00886	<u>63,879</u>
Capitalization Grants for Clean Water State Revolving Funds 2010 SRF Grant	Indiana Finance Authority	66.458	WW09712250	<u>342,809</u>
Total - Environmental Protection Agency				<u>406,688</u>
<u>Department of Energy</u>				
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG) EECBG	Direct Grant	81.128	DE-FOA-0000013	<u>69,825</u>
Total - Department of Energy				<u>69,825</u>
<u>Department of Homeland Security</u>				
Staffing for Adequate Fire and Emergency Response (SAFER) Assistance to Firefighters Grant	Direct Grant	97.083	EMW-2010-FH-00772	<u>659,936</u>
Disaster Grants - Public Assistance (Presidentially Declared Disasters) April 19, 2011 Storm	Indiana Department of Homeland Security	97.036	PA 1997 043-52326-00	<u>57,225</u>
Total - Department of Homeland Security				<u>717,161</u>
Total federal awards expended				<u>\$ 3,999,858</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 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, 2013:

Program Title	Federal CFDA Number	2013
Community Development Block Grants/Entitlement Grants	14.218	
New Direction Housing Corporation		\$ 194,189
YMCA of Southern Indiana		14,537
Harrison Education and Literacy Program		4,000
Our Place-Drug and Alcohol		2,434
Open Door Youth Services		4,405
One Southern Indiana		3,990
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	
New Direction Housing Corporation		308,299

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
	Economic Development Cluster
	CDBG - Entitlement Grants Cluster
	Highway Planning and Construction Cluster
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

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

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2013-001 - INTERNAL CONTROLS AND COMPLIANCE OVER FINANCIAL TRANSACTIONS AND REPORTING

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

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

1. 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 and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

One employee was responsible for issuing receipts, making deposits, and posting receipt transactions. The activities related to receipts were not always reviewed or verified by someone other than the employee performing these activities.

Bank reconciliations were not always being reviewed and approved by someone other than person performing the depository reconciliations.

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.

Annual Report

The City has not established effective controls to allow for the proper reporting of the City's financial transactions and cash and investment balances. The audited financial statement was compiled from information entered by the City into the Gateway system, a financial reporting system established by the state to allow governmental unit to file Annual Financial Reports. The City manually entered the financial data from the City's records into the Gateway system. Upon completion of the Annual Report, the City did not compare the Annual Report to the City's records to ensure that all financial data had been properly entered prior to submitting the Annual Report to the state. As a result of the City not having controls in place to verify that all financial data from the City's records had been properly entered, the financial statement presented for audit incorrectly omitted some of the City funds, overstated receipts by \$3,561,903, and understated disbursements by \$3,109,474. Adjustments were proposed, accepted by the City, and made to the financial statement to correct the deficiencies noted above.

Transaction Posting

The City has not developed controls to ensure that all financial transactions of the Wastewater Utility SRF funds are timely and accurately recorded in the City's records. The cash and investments of these funds are maintained and held in trust with the Bank of New York. Monthly trust statements are provided to the City which details the financial transactions to be posted to the City's records. During the audit period, the City had not assigned a designate employee to review the trust statements and post the transactions to the City records. As a result of the City not having controls in place over the financial transactions of the Wastewater Utility SRF funds, the City failed to record receipts of \$1,298,011 and disbursements totaling \$5,426,218 during 2013 for these funds. Audit adjustments were proposed, accepted by the City, and made to the financial statement presented in this report.

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

Bank Reconcilements

The City had not developed controls to ensure monthly bank reconcilements were being performed and that variances between the reconciled bank balance and the City records were being investigated timely. During the audit, monthly bank account reconciliations were not being performed for some bank accounts. In August 2013, the current Controller was appointed to her position. Shortly after her appointment she became aware that monthly bank reconcilements for the City's main checking account and Wastewater Utility Operating checking account had not been performed since October 2012 and December 2011, respectively. It was also later determined that the City's Payroll checking account had not been reconciled since March 2013. These monthly reconcilements were subsequently prepared and, by March 2014, the City had completed monthly bank reconcilements through December 2013 for all 17 of its banks accounts.

A review of the 2013 monthly reconcilements of the City's main checking account shows that record balances were not fully reconciled to the depository balances. As of December 31, 2013, the City shows \$148,419 more in unidentified cash being held in its' records than in the bank for all funds accounted for in the City's main checking account. As of June 2014, monthly reconcilements show that the City has consistently maintained this variance since December 2013.

A review of the 2013 monthly reconcilements of the City's Wastewater Utility Operating account shows that the record balances were not fully reconciled to the depository balance. As of December 31, 2013, the Wastewater Utility Operating checking account was showing \$323,693 more in unidentified cash in the bank than that recorded in the City's records for all funds accounted for in the Wastewater Utility Operating checking account. As of June 2014, monthly reconcilements show that the City has consistently maintained this variance since July 2013.

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 has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the City at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the City has no process to identify or communicate corrective actions to improve controls.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's 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)

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

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."

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

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

***FINDING 2013-002 - 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 the following errors:

1. Four federal grants with a total of \$1,017,320 in expenditures had not been reported.
2. The amount reported for three federal programs were incorrect.
3. Six federal awards reported did not include the correct federal program name.
4. Two federal awards reported did not properly report the pass-through entity.
5. One federal award reported did not include the correct CFDA number.
6. Federal awards provided to subrecipients were reported incorrectly in the amount of \$308,299.

Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report.

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

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)

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 in 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 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."

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-003 - DAVIS-BACON ACT

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

Management of the City 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 Act. 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 program.

The City hired a Grant Administrator to assist in overseeing the labor standards required by the Davis-Bacon Act. Certified payrolls were submitted by the contractors/subcontractors to the Grant Administrator who would then check to determine if prevailing wages were being properly paid. The City did not have procedures in place to review and approve the work being performed by the Grant Administrator.

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, or detected and corrected, on a timely basis. In 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. Non-compliance 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 related to Davis-Bacon Act.

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

FINDING 2013-004 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO STAFFING FOR ADEQUATE FIRE AND EMERGENCY RESPONSE (SAFER)

Federal Agency: Department of Homeland Security
Federal Program: Staffing For Adequate Fire and Emergency Response (SAFER)
CFDA Number: 97.083
Federal Award Number and Year (or Other Identifying Number): EMW-2010-FH-00772

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Costs Principles, Cash Management, and Period of Availability. 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 program.

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, or detected and corrected, on a timely basis. In 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.

The City's Program Administrator is responsible for all compliance requirements related to the SAFER grant. The Program Administrator is responsible for ensuring that all program disbursements are for activities allowed, allowable costs, and were incurred during the grant's period of performance as outlined in the City's agreement with the Department of Homeland Security. There was no evidence presented to indicate that any oversight, reviews, or approvals were performed on the Program Administrator's activities by the City.

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. Non-compliance 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 all compliance requirements that have a direct and material effect to the program.

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

FINDING 2013-005 - REPORTING

Federal Agency: Department of Homeland Security
Federal Program: Staffing For Adequate Fire and Emergency Response (SAFER)
CFDA Number: 97.083
Federal Award Number and Year (or Other Identifying Number): EMW-2010-FH-00772

Management of the City 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 Reporting. 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 program.

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, or detected and corrected, on a timely basis. In 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.

The City's Program Administrator is responsible for preparing and filing all "SAFER Payment Request" forms required for the reimbursement of program expenses incurred. Additionally, all financial and performance reports required under the grant agreement are prepared and submitted by the Program Administrator. There was no evidence presented to indicate that any oversight, reviews, or approvals were performed on the Program Administrator's activities by the City.

Federal Financial Report/SF-425 is required to be filed semiannually under the grant agreement and is to accurately reflect the financial activity of the program. This financial report is due within 30 days of the end of the reporting period. The Federal Financial Report/SF-425 filed for the periods ending June 30, 2013, and December 31, 2013, did not accurately reflect the financial activity of the program. The amount reported for program receipts and expenditures did not agree with the records of the City. Information was not presented to be able to determine if the reports were filed timely.

Hiring Performance Reports are required to be filed quarterly under the grant agreement and are due within 30 days following the end of the quarter. The Hiring Performance Reports due for the quarters ending during 2013 were not filed timely. For the quarters ending February 26, May 26, August 26, and November 26, the reports were not filed until 328, 239, 147, and 89 days, respectively, after the required due date.

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."

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

44 CFR, Chapter 1, Subchapter A, Part 13, Subpart C, Section 13.20 states in part:

"(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activity must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures and income."

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 segregations of duties related to the grant agreement and compliance requirement that apply to Reporting. We further recommended that the City follow the reporting requirements related to the program.

AUDITEE PREPARED DOCUMENTS

The subsequent documents were provided by management of the City. The documents are presented as intended by the City.



FOUNDED 1813

City of New Albany

City Controller

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-3 - REPORTING

Original Assigned SBA Audit Report Number: B43023
Report Period: January 1, 2012 to December 31, 2012
Pass-Through Entity or Federal Grantor Agency: Indiana Department of Transportations
Contact Person Responsible for Corrective Action: Linda S. Moeller, Controller
Contact Phone Number: 812-948-5333

Status of Audit Finding:

The Audit Finding was isolated to 2012 and reported in 2013.
During 2013 we were in compliance

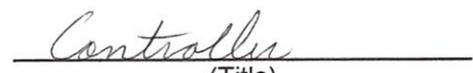
FINDING 2012-4 – INTERNAL CONTOLS OVER DAVIS BACON REQUIREMENTS

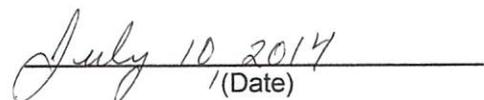
Original Assigned SBA Audit Report Number: B43023
Report Period: January 1, 2012 to December 31, 2012
Pass-Through Entity or Federal Grantor Agency: U.S. Department of Commerce
Contact Person Responsible for Corrective Action: Linda S. Moeller, Controller
Contact Phone Number: 812-948-5333

Status of Audit Finding:

I became Controller in August 2013 and was made aware during the audit for 2012. Corrective measures were set up once I became aware in the fall of 2013 and we are in compliance in 2014.


(Signature)


(Title)


(Date)



FOUNDED 1813

City of New Albany

City Controller

CORRECTIVE ACTION PLAN

FINDING 2013-001 - INTERNAL CONTROLS AND COMPLIANCE OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Linda S. Moeller, Pat McLaughlin
Contact Phone Number: 812-948-5333

- (1) Necessary actions to establish internal controls related to receipts, cash and investments, financial statements and payroll were implemented in the last quarter of 2013. All bank deposits and payroll are reviewed and initialed by the Controller. All bank reconcilements are reviewed by the Controller with signature confirmation. Any financial transactions performed by the Controller are reviewed and signed by another member of the Controller's Office.
- (2) Personnel continue to review internal controls over financial reporting to determine weaknesses that could result in material misstatements of the City's financial statements. The Controller's Office has achieved an extensive working knowledge of the financial management system New World. This knowledge has resulted in identifying many issues relating to bank reconciliations and the annual report. All bank accounts, SRF funds and investments are being reconciled on a monthly basis.
- (3) A policy was established to prevent or detect material misstatements and to identify and communicate corrective actions to improve controls. When identified by SBOA at exit conference in November, 2013 the City began corrective measures in December, 2013.

Linda S. Moeller
(Signature)

Controller
(Title)

9-18-14
(Date)

Pat McLaughlin
(Signature)

Assistant City Council
(Title)

9-18-14
(Date)



FOUNDED 1813

City of New Albany

City Controller

CORRECTIVE ACTION PLAN

FINDING 2013-002 - INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Linda S. Moeller
Contact Phone Number: 812-948-5333

The City designated a person in the Controller's Office to monitor the timely filing for Federal awards and Grants. Contact with the department's Grant writer has been initiated to establish procedures for tracking and verification of data on the reports.

Linda S. Moeller
(Signature)

Controller
(Title)

9-8-14
(Date)



FOUNDED 1813

City of New Albany

City Controller

CORRECTIVE ACTION PLAN

FINDING 2013-003 – DAVIS BACON

Contact Person Responsible for Corrective Action: Linda S. Moeller
Contact Phone Number: 812-948-5333

The City continues to review and assist the grant administrator.

Linda S. Moeller
(Signature)

Controller
(Title)

9-8-14
(Date)



FOUNDED 1813

City of New Albany

INCLUDE ON OFFICIAL LETTERHEAD)

City Controller

CORRECTIVE ACTION PLAN

FINDING 2013-004 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO STAFFING FOR ADEQUATE FIRE AND EMERGENCY RESPONSE (SAFER)

Contact Person Responsible for Corrective Action: Linda S. Moeller
Contact Phone Number: 812-948-5333

The City designated a person in the Controller's Office to monitor the timely filing for Federal awards and Grants. Contact with the department's Grant writer has been initiated to establish procedures for tracking and verification of data on the reports.

Linda S. Moeller
(Signature)

Controller
(Title)

9-8-14
(Date)



City of New Albany

City Controller

CORRECTIVE ACTION PLAN

FINDING 2013-005 - REPORTING

Contact Person Responsible for Corrective Action: Linda S. Moeller
Contact Phone Number: 812-948-5333

The City designated a person in the Controller's Office to monitor the timely filing for Federal awards and Grants. Contact with the department's Grant writer has been initiated to establish procedures for tracking and verification of data on the reports

Anticipated Completion Date:

Linda S. Moeller
(Signature)

Controller
(Title)

9-8-14
(Date)

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the City. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.