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**FINANCIAL REPORT**  
**CITY OF NEW ALBANY,**  
**MISSISSIPPI**

**September 30, 2015**

**RECEIVED**

**APR 04 2016**

**CITY OF NEW ALBANY, MISSISSIPPI**

**Financial Statements**

**For the Year Ended September 30, 2015**

**Table of Contents**

	Page
Independent Auditors' Report .....	3
Required Supplementary Information:	
Management's Discussion and Analysis (unaudited).....	5
Basic Financial Statements:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position .....	17
Statement of Activities .....	18
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds .....	19
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position .....	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	22
Statement of Fund Net Position – Proprietary Funds .....	23
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds .....	24
Statement of Cash Flows – Proprietary Funds.....	25
Statement of Fiduciary Net Position.....	26
Notes to Financial Statements .....	27
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund .....	49
Budgetary Comparison Schedule – Tourism Fund .....	52
Schedule of Required Supplementary Information - Pension.....	54
Notes to Required Supplementary Information .....	55
Combining Fund Statements:	
Combining Balance Sheets – All General Funds .....	57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – All General Funds .	58
Combining Balance Sheets – Nonmajor Governmental Funds .....	59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds .....	61
Combining Statement of Fund Net Position – Nonmajor Proprietary Funds.....	63
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Nonmajor Proprietary Funds.....	64
Combining Statement of Cash Flows – Nonmajor Proprietary Funds.....	65
Combining Statement of Fiduciary Net Position – Fiduciary Fund.....	66
Other Supplemental Information:	
Schedule of Surety Bonds for Municipal Officials .....	68
Schedule of Expenditures of Federal Awards .....	69
Note to Schedule of Expenditures of Federal Awards .....	71
Schedule of Findings and Questioned Costs.....	72
Independent Auditors' Report on Compliance with State Laws and Regulations .....	76
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in accordance with <i>Government Auditing Standards</i> .....	77
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program And Internal Control over Compliance in Accordance with OMB Circular A-133 .....	79



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## **Independent Auditors' Report**

To the Board of Aldermen  
City of New Albany  
New Albany, Mississippi

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of New Albany, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity'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 statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Albany, Mississippi, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 15 and budgetary comparison information and the Schedule of the City's Proportionate Share of the Pension Liability and Schedule of City Contributions – PERS related to the City's participation in the Public Employee's Retirement System of Mississippi, on pages 48 through 55, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New Albany, Mississippi's basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of surety bonds for municipal officials are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedule of surety bonds for municipal officials, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the combining and individual nonmajor fund financial statements, the schedule of surety bonds for municipal officials, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 City of New Albany's internal control over financial reporting and compliance.

*Nail McKinney P.A.*

Tupelo, Mississippi  
March 14, 2016

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**Management's Discussion and Analysis (unaudited)**

# **CITY OF NEW ALBANY, MISSISSIPPI**

## **MANAGEMENT DISCUSSION AND ANALYSIS**

As management of City of New Albany, Mississippi, we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which begin on page 16.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City of New Albany, Mississippi exceeded its liabilities at September 30, 2015 by \$40,911,861 (Net position). The majority of the City's net position is invested in capital assets or unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies. The remaining \$458,772 is restricted for specific purposes. Unrestricted net position decreased by \$13,644,822, restricted net position increased by \$10,650, and invested in capital assets increased by \$2,718,049.
- As of the close of the current fiscal year, the City of New Albany's proprietary funds reported combined ending net position of \$30,872,794. 86.4% of this total amount or \$26,684,898 is invested in capital assets, 12.1% or \$3,729,657 is unrestricted, and the remainder of 1.5% or \$458,239 is restricted for specific purposes.
- As of the close of the current fiscal year, the City of New Albany's governmental funds reported combined ending fund balances of \$4,383,922. The unassigned part of the fund balance, which is available for use within the City's policies, is \$1,288,048, the assigned part, which is intended for use for specific purposes, is \$2,590,491, the committed part, which has constraints imposed by Board action, is \$500,000 and the restricted part, which has outside constraints, is \$5,383.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$1,288,048.
- The City's net position was adversely effected this year by a cumulative effect adjustment to record the City's proportionate share of the net unfunded PERS pension liability. Notes to the financial statements number 24 and 25 on page 44-47 discuss the new governmental standards and their implementation in these financial statements.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and notes to the financial statements. The Statement of Net Position and the Statement of Activities (on pages 17-18) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 19. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

# **CITY OF NEW ALBANY, MISSISSIPPI**

## **Reporting the City as a Whole**

### **The Statement of Net Position and the Statement of Activities**

Our analysis of the City as a whole begins on page 8. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in it. You can think of the City's net position—the difference between assets and liabilities—as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net positions are one indicator of whether its financial position is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- \* **Governmental activities**—Most of the City's basic services are reported here, including the police, fire, general administration, streets, parks, and sanitation. Sales tax, franchise fees, fines, and state and federal grants finance most of these activities.
- \* **Business-type activities**—The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer, gas, electric, waste disposal and airport systems are reported here.

## **Reporting the City's Most Significant Funds**

### **Fund Financial Statements**

Our analysis of the City's major funds begins on page 19. The fund financial statements begin on page 19 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the board established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's three kinds of funds—government, proprietary, and fiduciary—use different accounting approaches.

- \* **Governmental funds**—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Position and the

# **CITY OF NEW ALBANY, MISSISSIPPI**

Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

- \* Proprietary funds—When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.
- \* Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the City government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accrual basis of accounting is used for fiduciary funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The City's fiduciary activities are presented in a separate Statement of Fiduciary Net Position.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-47 of this report.

## **GOVERNMENTAL-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position and net position by category may serve over time as a useful indicator of government's financial position. In the case of the City of New Albany, assets exceeded liabilities by \$40,911,861 as of September 30, 2015.

The largest portion of the City's net position (93.8%) reflects its investments in capital assets (e.g., land, timber rights, building, machinery and equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending, and with exception of business type assets, do not generate direct revenue for the City. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

# CITY OF NEW ALBANY, MISSISSIPPI

## CITY OF NEW ALBANY'S NET POSITION

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>		<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>		<u>TOTAL</u>	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 6,800,865	\$ 6,844,721	\$ 19,114,244	\$ 20,507,625	\$ 25,915,109	\$ 27,352,346
Capital Assets	12,861,199	11,667,920	35,884,451	34,934,241	48,745,650	46,602,161
Total Assets	<u>\$ 19,662,064</u>	<u>\$ 18,512,641</u>	<u>\$ 54,998,695</u>	<u>\$ 55,441,866</u>	<u>\$ 74,660,759</u>	<u>\$ 73,954,507</u>
Deferred Outflows of Resources	\$ 1,935,117	\$ -	\$ 1,396,265	\$ 33,598	\$ 3,331,382	\$ 33,598
Long-term Liabilities	\$ 9,972,422	\$ 2,402,049	\$ 16,104,584	\$ 9,201,169	\$ 26,077,006	\$ 11,603,218
Other Liabilities	864,305	1,505,769	8,705,937	9,017,536	9,570,242	10,523,305
Total Liabilities	<u>\$ 10,836,727</u>	<u>\$ 3,907,818</u>	<u>\$ 24,810,521</u>	<u>\$ 18,218,705</u>	<u>\$ 35,647,248</u>	<u>\$ 22,126,523</u>
Deferred Inflows of Resources	\$ 721,387	\$ 553,434	\$ 711,645	\$ 33,533	\$ 1,433,032	\$ 586,967
Net Position						
Invested in capital assets, net of related debt	\$ 11,709,047	\$ 10,446,464	\$ 26,684,898	\$ 25,229,432	\$ 38,393,945	\$ 35,675,896
Restricted	533	533	458,239	447,589	458,772	448,122
Unrestricted	(1,670,513)	4,157,826	3,729,657	11,546,140	2,059,144	15,703,966
Total Net Position	<u>\$ 10,039,067</u>	<u>\$ 14,604,823</u>	<u>\$ 30,872,794</u>	<u>\$ 37,223,161</u>	<u>\$ 40,911,861</u>	<u>\$ 51,827,984</u>

An additional portion of the City's net position (1.12%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position \$2,059,144 may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2015, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities with the exception of the unrestricted governmental activity net position. All categories had positive balances for the prior fiscal year.

**Analysis of the City's Operations** – Overall the City had a decrease in net position of \$10,916,123, primarily due to required recording of pension liability.

**Governmental Activities:** Governmental activities decreased the net position by \$4,565,756 or 31.3% of the total loss in net position. Invested in capital assets, net of related debt increased by \$1,262,583 primarily due to construction in progress, bridge network and machinery and equipment purchases. Unrestricted net position decreased by \$5,828,339 primarily due to required recording of pension liability. Restricted net assets remained the same.

Total revenues for governmental activities increased from the previous year by \$1,119,781. General revenues had a net increase of 20.2%, primarily due to an increases in property tax and sales tax collections. Program revenues had a 187.2% net increase, which was primarily due to capital grants and contributions received for increased airport grant activity.

Total expenses for governmental activities increased \$420,890 or 5.9%. This increase was related to increases in General Government, Public Safety and Public Works.

- General Government expenses increased \$136,810 or 7.4%. Increased costs in General Government are due primarily to additional aid to others and tourism advertising.

# ***CITY OF NEW ALBANY, MISSISSIPPI***

- Public Safety expenses increased \$198,795 or 6.3%. Increased costs in Public Safety are due primarily to raised salaries and benefits.
- Public Works expenses increased \$69,179 or 7.5%. Increased costs in Public Works are due primarily to increases utilities and repairs.

**Business-type Activities:** Net Position from business-type activities decreased \$6,350,367 or 17.1% from \$37,223,161 to \$30,872,794 accounting for the 58.2% of the total decrease in net position. Invested in capital assets, net of related debt increased by \$1,455,466 primarily due to some by distribution plant projects and the purchase of machinery and equipment. Unrestricted net position decreased by \$7,816,483 primarily due to required recording of pension liability.

Total revenues for business-type activities decreased \$482,920 or 1.2%. This decrease was primarily due to decrease of \$690,830 in the Gas Department charges for services, decrease of \$690,830 in the Electric Department charges for services, increase of \$80,006 in Water & Sewer Department charges in services and increase in capital grants and contributions of \$577,362 related to Water & Sewer Department improvements.

Total expenses for the business-type activities decreased \$252,433 or 0.7%. This decrease was primarily due to a increase of \$122,054 in the Water and Sewer Department, an decrease of \$494,539 in the Gas Department and an increase of \$114,764 in the Electric Department.

The charges for services and costs of electricity and gas purchased were down approximately the same amount resulting in comparable margins between years.

The following table provides a summary of the City's Operations for the year-end September 30, 2015 with comparative totals for year ended September 30, 2014

# CITY OF NEW ALBANY, MISSISSIPPI

## CITY OF NEW ALBANY'S CHANGES IN NET POSITION

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>		<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>		<u>TOTAL</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 627,701	\$ 636,780	\$ 38,015,106	\$ 39,072,419	\$ 38,642,807	\$ 39,709,199
Operating grants and contributions	684,060	668,545	14,102	14,691	698,162	683,236
Capital grants and contributions	1,077,721	376,475	968,181	390,819	2,045,902	767,294
General Revenues:						
Property Taxes	1,461,461	1,337,537	56,286	54,777	1,517,747	1,392,314
Sales Tax	3,164,035	2,938,376	-	-	3,164,035	2,938,376
Special City Sales Tax	701,684	644,084	-	-	701,684	644,084
Franchise Taxes	48,652	50,910	-	-	48,652	50,910
Investment Earnings	18,008	18,251	23,236	23,375	41,244	41,626
Special Item-Gain(Loss) on Sale/Disposal of assets	4,167	500	-	-	4,167	500
Transfers	754,320	750,570	(754,320)	(750,570)	-	-
<b>Total Revenues</b>	<b>\$ 8,541,809</b>	<b>\$ 7,422,028</b>	<b>\$ 38,322,591</b>	<b>\$ 38,805,511</b>	<b>\$ 46,864,400</b>	<b>\$ 46,227,539</b>
Expenses:						
General Government	\$ 1,994,762	\$ 1,857,952	\$ -	\$ -	\$ 1,994,762	\$ 1,857,952
Depreciation expense not included in other functions	129,121	122,861	-	-	129,121	122,861
Public Safety	3,353,892	3,155,097	-	-	3,353,892	3,155,097
Public Works	986,964	917,785	-	-	986,964	917,785
Culture and Recreation	983,467	977,566	-	-	983,467	977,566
Interest on long-term debt	47,435	43,490	-	-	47,435	43,490
Water and Sewer	-	-	2,514,216	2,392,162	2,514,216	2,392,162
Gas	-	-	4,557,339	5,051,878	4,557,339	5,051,878
Electric	-	-	30,142,774	30,028,010	30,142,774	30,028,010
Waste Disposal	-	-	795,598	787,023	795,598	787,023
Airport	-	-	50,067	53,354	50,067	53,354
<b>Total expenses</b>	<b>\$ 7,495,641</b>	<b>\$ 7,074,751</b>	<b>\$ 38,059,994</b>	<b>\$ 38,312,427</b>	<b>\$ 45,555,635</b>	<b>\$ 45,387,178</b>
Increase (Decrease) in net net assets before transfers	\$ 1,046,168	\$ 347,277	\$ 262,597	\$ 493,084	\$ 1,308,765	\$ 840,361
Transfers	-	-	-	-	-	-
Increase in net assets	\$ 1,046,168	\$ 347,277	\$ 262,597	\$ 493,084	\$ 1,308,765	\$ 840,361
Net position-October 1	14,604,823	14,294,046	37,223,159	36,937,841	51,827,982	51,231,887
Adjustments	(5,611,924)	(36,500)	(6,612,962)	(207,764)	(12,224,886)	(244,264)
<b>Net Position-September 30</b>	<b>\$ 10,039,067</b>	<b>\$ 14,604,823</b>	<b>\$ 30,872,794</b>	<b>\$ 37,223,161</b>	<b>\$ 40,911,861</b>	<b>\$ 51,827,984</b>

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

**Governmental Funds** – The focus of the City of New Albany's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending in the next fiscal year.

# ***CITY OF NEW ALBANY, MISSISSIPPI***

At the end of the current fiscal year, the City of New Albany's governmental funds reported combined ending fund balances of \$5,986,816. Approximately 20.5% of this total amount (\$1,228,043) constitutes unassigned fund balance. The remainder of the fund balance is restricted (\$5,383), committed (\$500,000) or assigned (\$2,590,491).

**General Fund Budgetary Highlights** – In the general fund, the City budgeted for a decrease in the fund balance on a budget basis of \$227,779. Due to actual expenses being less than budgeted, the actual fund balance increased for fiscal year 2015 by \$2,524.

The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in an increase in revenues of \$30,840 and an increase in expenditures of \$258,639.

**Proprietary Funds** – The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the respective enterprise funds are Water and Sewer - (\$874,510), Gas System - \$1,816,902, Electric Department - \$2,565,645, Waste Disposal - \$190,144, and NA/UC Airport – \$31,176. The total of these unrestricted net assets is \$3,729,657. Changes in net position for enterprise funds in 2015 were as follows: Water and Sewer – \$637,810, Gas System – (\$94,713), Electric Department - (\$327,872), Waste Disposal – \$48,144, and NA/UC Airport – (\$772). The total change in unrestricted net assets was \$262,597.

## **CAPITAL ASSETS**

The City of New Albany's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$48,745,650 (net of accumulated depreciation). This investment in capital assets includes land, timber rights, building, machinery and equipment, improvements, infrastructure and construction in progress. The total increase in the City's investment in capital assets (before accumulated depreciation) for the current fiscal year was 5.1% (11.2% increase in governmental activities and 3.5% increase in business-type activities).

Major capital asset events during the current fiscal year included the following:

- Airport improvements including update of master plan, obstruction removal, fuel tank and rehab runways.
- Paving several streets, constructing a new bridge over Main Street and replacing the bridge on Oxford Road.
- Improvements to the Tallahatchie Trails including extending the walking trail.
- Machinery & equipment purchases in the Police, Fire and Street Departments.
- The Electric Department distribution plant additions.
- The Water & Sewer Department wells, elevated tank and improvements completion.

# CITY OF NEW ALBANY, MISSISSIPPI

## GOVERNMENTAL FUND ACTIVITIES

Asset Classification	Balance 10/1/2014	Additions	Deletions	Balance 9/30/2015
<b>Capital Asset Values</b>				
Land	\$ 1,109,750	\$ -	\$ -	\$ 1,109,750
Construction in Progress	312,504	943,288		1,255,792
Timber Rights	10,000			10,000
Buildings	3,394,151			3,394,151
Improvements other than buildings	5,894,603	376,576		6,271,179
Machinery and Equipment	3,358,508	366,650	(58,867)	3,666,291
Road Network	2,623,770			2,623,770
Bridge Network	450,456	296,479		746,935
<b>Total at Historical Cost</b>	<b>\$ 17,153,742</b>	<b>\$ 1,982,993</b>	<b>\$ (58,867)</b>	<b>\$ 19,077,868</b>
<b>Less: Capital Asset Accumulated Depreciation</b>				
Buildings	(855,315)	(110,221)		(965,536)
Improvements other than buildings	(1,224,159)	(285,298)		(1,509,457)
Machinery and Equipment	(2,245,122)	(252,364)	24,050	(2,473,436)
Road Network	(995,085)	(96,164)		(1,091,249)
Bridge Network	(166,141)	(10,850)		(176,991)
<b>Total Accumulated Depreciation</b>	<b>\$ (5,485,822)</b>	<b>\$ (754,897)</b>	<b>\$ 24,050</b>	<b>\$ (6,216,669)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 11,667,920</b>	<b>\$ 1,228,096</b>	<b>\$ (34,817)</b>	<b>\$ 12,861,199</b>

## BUSINESS-TYPE ACTIVITIES

Asset Classification	Balance 10/1/2014	Additions	Deletions	Balance 9/30/2015
<b>Capital Asset Values</b>				
Land	\$ 179,853	\$ 8,000		\$ 187,853
Construction in Progress	2,718,899		(2,414,075)	304,824
Distribution Plant	58,664,416	4,290,108	(374,789)	62,579,735
Machinery and Equipment	4,980,405	835,792		5,816,197
<b>Total at Historical Cost</b>	<b>\$ 66,543,573</b>	<b>\$ 5,133,900</b>	<b>\$ (2,788,864)</b>	<b>\$ 68,888,609</b>
<b>Less: Capital Asset Accumulated Depreciation</b>				
Distribution Plant	(27,602,626)	(1,633,723)	495,006	(28,741,343)
Machinery and Equipment	(4,006,706)	(256,109)		(4,262,815)
<b>Total Accumulated Depreciation</b>	<b>\$(31,609,332)</b>	<b>\$ (1,889,832)</b>	<b>\$ 495,006</b>	<b>\$(33,004,158)</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 34,934,241</b>	<b>\$ 3,244,068</b>	<b>\$ (2,293,858)</b>	<b>\$ 35,884,451</b>

Additional information on the City of New Albany's capital assets can be found in note 5 on pages 35 and 36.

# **CITY OF NEW ALBANY, MISSISSIPPI**

## **DEBT ADMINISTRATION**

At the end of the current fiscal year, the City of New Albany had a total bonded debt, capital lease, refunding bond premiums, compensated absences and notes payable of \$11,850,881. Of this amount, \$1,281,438 represents notes payable, \$39,152 capital lease obligations, \$140,128 compensated absences and \$1,113,000 bonds payable by governmental activities, \$23,729 represents refunding bond premium, \$5,530,314 represents bonds paid by water and sewer revenues, \$3,157,906 represents bonds paid by electric revenues, and \$487,604 represents notes payable by proprietary funds.

### **Outstanding Debt at Year End Compensated Absences, Bonds, and Notes Payable**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Bonds Payable	\$1,113,000	\$1,182,000	\$ 8,688,220	\$ 9,168,109	\$ 9,801,220	\$10,350,109
Capital Lease	39,152	33,787			39,152	33,787
Notes Payable	1,281,438	1,369,560	487,604	511,882	1,769,042	1,881,442
Compensated Absences	140,128	116,451	77,610	75,483	217,738	191,934
Refunding Bond Premiums			23,729	24,818	23,729	24,818
<b>Totals</b>	<b>\$2,573,718</b>	<b>\$2,701,798</b>	<b>\$ 9,277,163</b>	<b>\$ 9,780,292</b>	<b>\$11,850,881</b>	<b>\$12,482,090</b>

During the fiscal year, the City's total debt decreased by \$631,209 or 5.1%. In the governmental activities a \$53,750 capital lease was added. Compensated absences were increased in both governmental and business-type activities. Debt in the amount of \$710,763 matured or refinanced during the year.

Additional information on the City of New Albany's long-term debt can be found in note 7 on pages 37-39 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2016 budget, tax rates, and fees that will be charged. One of those factors is the economy: it is estimated by city officials that the economy will increase at a small rate in the 2016 year.

The general fund budget for the year 2016 shows an increase in the receipts that the City will collect. The general fund's increase in receipts is mainly due to intergovernmental revenues showing a budgeted increase. The 2016 general fund budget shows an increase in the expenditures. The increase in expenditures is due mainly to budgeted increases of 9.0% in services and charges and increases in capital outlay. If these budgeted estimates are realized the City's budgeted general fund balance is expected to remain the same by the close of 2016.

The City of New Albany for the 2016 year is lining up several things for future growth in the City. The City plans to pave several City streets. The City is also planning an arch at the trail starting point and possibly one at the Tallahatchie Bridge. At this time these are the only major projects that the City has planned.

# ***CITY OF NEW ALBANY, MISSISSIPPI***

The Electric and Gas Department budget for the year 2016 shows an increase in cost of power and a decrease in cost of gas having to be purchased. Electric and Gas Departments have budget decreases and Water and Sewer Department has budget increases in metered sales. As a result for the City's business-type activities, we expect that the net positions do not have significant change by the close of 2016.

By the end of 2016, the Electric, Gas, and Water Departments hope to have an RFP out to vendors to obtain quotes to procure and install automated metering infrastructure. Once the bid is awarded, it will likely take another year to develop the communications network and install the metering. This will just be the first step. The Gas System plans to complete approximately 4 miles of main expansion in the Myrtle and Keownville areas with the hopes of adding approximately 60 new customers. The Sewer System hopes to scope out a project that focuses on the rehab of several miles of sewer main and to develop a plan to either rehab the existing Waste Water Treatment Plant or potentially relocate it. At this time these are the only major projects that the City has planned for the business-type activities.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors, with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Clerk's Office at 101 West Bankhead Street New Albany, Mississippi 38652.



Frankie Roberts  
City Clerk

**Basic Financial Statements**

**RECEIVED**

**APR 04 2016**

**CITY OF NEW ALBANY, MISSISSIPPI**

**Statement of Net Position**

**September 30, 2015**

<b>Assets</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Cash	\$ 2,913,857	\$ 10,362,581	\$ 13,276,438
Temporary cash investments	1,885,286	1,933,506	3,818,792
Accounts and interest receivable	754,427	5,715,993	6,470,420
Prepaid expenses	14,685	40,995	55,680
Materials and supplies	-	1,024,279	1,024,279
Capital assets:			
Land, improvements and construction in progress	2,375,542	492,677	2,868,219
Other capital assets, net of depreciation	10,485,657	35,391,774	45,877,431
Lease receivable	333,813	-	333,813
Other assets	-	13,595	13,595
Notes receivable	898,797	23,295	922,092
<b>Total Assets</b>	<u>19,662,064</u>	<u>54,998,695</u>	<u>74,660,759</u>
<b>Deferred Outflows of Resources</b>			
Pension plan	1,935,117	1,366,090	3,301,207
TVA Heat Pump Program	-	30,175	30,175
	<u>1,935,117</u>	<u>1,396,265</u>	<u>3,331,382</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	684,452	6,308,898	6,993,350
Customer deposits	-	1,877,756	1,877,756
Noncurrent liabilities:			
Due within one year	179,853	519,283	699,136
Due in more than one year	2,393,865	8,757,880	11,151,745
Pension liability	7,578,557	7,346,704	14,925,261
<b>Total Liabilities</b>	<u>10,836,727</u>	<u>24,810,521</u>	<u>35,647,248</u>
<b>Deferred Inflows of Resources</b>			
Advance payments received	469,650	30,179	499,829
Pension	203,548	681,466	885,014
Lease interest	48,189	-	48,189
	<u>721,387</u>	<u>711,645</u>	<u>1,433,032</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	11,709,047	26,684,898	38,393,945
Restricted for:			
Debt service	533	458,239	458,772
Unrestricted	(1,670,513)	3,729,657	2,059,144
<b>Total Net Position</b>	<u>\$ 10,039,067</u>	<u>\$ 30,872,794</u>	<u>\$ 40,911,861</u>

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

**CITY OF NEW ALBANY, MISSISSIPPI**

**Statement of Activities**

**For the Year Ended September 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	Total
			Grants and Contributions	Grants and Contributions			
<b>Governmental Activities:</b>							
General government	\$ 1,994,762	\$ 126,784	\$ 165,898	\$ 1,075,921	\$ (626,159)	\$ -	\$ (626,159)
Depreciation expense	129,121	-	-	-	(129,121)	-	(129,121)
Public safety	3,353,892	308,404	179,433	1,800	(2,864,255)	-	(2,864,255)
Public works	986,964	-	303,579	-	(683,385)	-	(683,385)
Culture and recreation	983,467	192,513	35,150	-	(755,804)	-	(755,804)
Interest	47,435	-	-	-	(47,435)	-	(47,435)
Total	<u>7,495,641</u>	<u>627,701</u>	<u>684,060</u>	<u>1,077,721</u>	<u>(5,106,159)</u>	<u>-</u>	<u>(5,106,159)</u>
<b>Business-type Activities:</b>							
Water and sewer	2,514,216	2,302,208	-	968,181	-	756,173	756,173
Gas	4,557,339	5,097,629	-	-	-	540,290	540,290
Electric	30,142,774	29,804,154	-	-	-	(338,620)	(338,620)
Waste Disposal	795,598	783,181	3,434	-	-	(8,983)	(8,983)
Airport	50,067	27,934	10,668	-	-	(11,465)	(11,465)
Total	<u>38,059,994</u>	<u>38,015,106</u>	<u>14,102</u>	<u>968,181</u>	<u>-</u>	<u>937,395</u>	<u>937,395</u>
Total Primary Government	<u>\$ 45,555,635</u>	<u>\$ 38,642,807</u>	<u>\$ 698,162</u>	<u>\$ 2,045,902</u>	<u>(5,106,159)</u>	<u>937,395</u>	<u>(4,168,764)</u>
<b>General Revenues:</b>							
Taxes:							
General purpose levies					1,461,461	56,286	1,517,747
Debt purpose levies					-	-	-
Sales taxes					3,164,035	-	3,164,035
Special city sales taxes					701,684	-	701,684
Franchise taxes					48,652	-	48,652
Investment earnings					18,008	23,236	41,244
Gain (loss) on asset disposals					4,167	-	4,167
Transfers					754,320	(754,320)	-
Total					<u>6,152,327</u>	<u>(674,798)</u>	<u>5,477,529</u>
Change in Net Position					<u>1,046,168</u>	<u>262,597</u>	<u>1,308,765</u>
Net Position , beginning - as previously stated					14,604,823	37,223,159	51,827,982
Cumulative effect of applying GASB 68					<u>(5,611,924)</u>	<u>(6,612,962)</u>	<u>(12,224,886)</u>
Net Position, beginning - as restated					<u>8,992,899</u>	<u>30,610,197</u>	<u>39,603,096</u>
Net Position, ending					<u>\$10,039,067</u>	<u>\$30,872,794</u>	<u>\$40,911,861</u>

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

**CITY OF NEW ALBANY, MISSISSIPPI**

**Balance Sheet - Governmental Funds**

**September 30, 2015**

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Tourism Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 1,819,749	\$ 217,039	\$ 877,069	\$ 2,913,857
Investments	1,885,286	-	-	1,885,286
Due from other funds	-	99,433	-	99,433
Accounts receivable	582,111	119,982	52,334	754,427
Lease receivable	-	-	333,813	333,813
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 4,287,146</u>	<u>\$ 436,454</u>	<u>\$ 1,263,216</u>	<u>\$ 5,986,816</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 495,527	\$ 38,527	\$ 166,238	\$ 700,292
Due to other funds	99,433	-	-	99,433
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>594,960</u>	<u>38,527</u>	<u>166,238</u>	<u>799,725</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Advance payments received	82,150	387,500	-	469,650
Lease principal	-	-	285,330	285,330
Lease interest	-	-	48,189	48,189
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>82,150</u>	<u>387,500</u>	<u>333,519</u>	<u>803,169</u>
<b>FUND BALANCES</b>				
Restricted	-	-	5,383	5,383
Committed	500,000	-	-	500,000
Assigned	1,821,988	10,427	758,076	2,590,491
Unassigned	1,288,048	-	-	1,288,048
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balances	<u>3,610,036</u>	<u>10,427</u>	<u>763,459</u>	<u>4,383,922</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,287,146</u>	<u>\$ 436,454</u>	<u>\$ 1,263,216</u>	<u>\$ 5,986,816</u>

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

**CITY OF NEW ALBANY, MISSISSIPPI**

**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**

**September 30, 2015**

	<u>Amount</u>
Total Fund Balance - Total Governmental Funds	\$ 4,383,922
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets used in governmental activities are not financial resources and are, therefore, not reported in governmental funds, net of accumulated depreciation of \$ 6,216,670.	12,861,199
2. Other long-term assets are not available to pay for current period expenditures and are, therefore, not recognized in the governmental funds.	1,198,812
3. Long-term liabilities, including bonds payable, are not due and payable in the current period and are, therefore, not reported in governmental funds.	(2,417,750)
4. Accrued compensated absences are not due and payable in the current year and are, therefore, not reported in the governmental funds.	(140,128)
5. Pension liabilities, including related deferred outflows and inflows are not payable in the current year and are, therefore, not reported in governmental funds.	<u>(5,846,988)</u>
Total Net Position - Governmental Activities	<u>\$ 10,039,067</u>

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

**CITY OF NEW ALBANY, MISSISSIPPI**

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds**

**For the Year Ended September 30, 2015**

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Tourism Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes	\$ 1,323,006	\$ -	\$ 77,675	\$ 1,400,681
Licenses and permits	104,164	-	-	104,164
Intergovernmental revenue	3,755,596	705,484	1,195,850	5,656,930
Charges for services	153,185	-	1,240	154,425
Fines and forfeitures	295,202	-	11,178	306,380
Investment earnings	6,924	91	10,993	18,008
Miscellaneous	64,455	60,703	17,506	142,664
	<u>5,702,532</u>	<u>766,278</u>	<u>1,314,442</u>	<u>7,783,252</u>
<b>Total Revenues</b>				
<b>Expenditures:</b>				
General government	1,378,460	534,015	-	1,912,475
Public safety	3,011,943	-	41,064	3,053,007
Public works	690,267	-	-	690,267
Culture and recreation	739,954	-	28,997	768,951
Debt service:				
Principal	8	74,669	24,059	98,736
Interest and other charges	(8)	35,485	11,950	47,427
Capital outlay	709,824	45,570	1,262,623	2,018,017
	<u>6,530,448</u>	<u>689,739</u>	<u>1,368,693</u>	<u>8,588,880</u>
<b>Total Expenditures</b>				
Excess (Deficiency) of Revenues over Expenditures	<u>(827,916)</u>	<u>76,539</u>	<u>(54,251)</u>	<u>(805,628)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	785,000	-	108,829	893,829
Transfers out	(106,887)	(30,000)	(2,622)	(139,509)
Lease principal payments	-	-	27,659	27,659
Bond proceeds	-	-	-	-
	<u>678,113</u>	<u>(30,000)</u>	<u>133,866</u>	<u>781,979</u>
<b>Total Other Financing Sources (Uses)</b>				
<b>Special Item:</b>				
Proceeds from the disposal of capital assets	39,054	-	-	39,054
Net Change in Fund Balances	(110,749)	46,539	79,615	15,405
Fund balances - beginning	<u>3,720,785</u>	<u>(36,112)</u>	<u>683,844</u>	<u>4,368,517</u>
Fund balances - ending	<u>\$ 3,610,036</u>	<u>\$ 10,427</u>	<u>\$ 763,459</u>	<u>\$ 4,383,922</u>

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

**CITY OF NEW ALBANY, MISSISSIPPI**

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,  
and Changes in Fund Balances to the Statement of Activities**

**For the Year Ended September 30, 2015**

	<u>Amount</u>
Net Change in Fund Balances - Total Governmental Funds	\$ 15,405
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current year.	1,228,096
2. Governmental funds report the proceeds from the sale of capital assets as revenue, whereas, in the statement of activities, the gain or loss on the transaction is reported as income or expense.	(34,817)
3. Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(23,677)
4. Some revenues reported in governmental funds, such as repayment of lease principal result in the reduction of long-term assets on the Statement of Net Assets.	(27,659)
5. The excess of pension expense recognized in accordance with GASB 68 in excess of amounts requiring the use of current financial resources are not reported as expenditures in the governmental funds.	(235,068)
6. Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	<u>123,888</u>
Change in Net Position of Governmental Activities	\$ <u>1,046,168</u>

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

**CITY OF NEW ALBANY, MISSISSIPPI**  
**Statement of Fund Net Position - Proprietary Funds**  
**September 30, 2015**

	<u>Major Funds</u>				
	<u>Water and Sewer</u>	<u>Gas System</u>	<u>Electric Department</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 475,802	\$ 2,314,639	\$ 6,867,274	\$ 704,866	\$ 10,362,581
Investments	491,055	860,619	581,832	-	1,933,506
Materials and supplies	-	416,567	607,712	-	1,024,279
Accounts receivable, net of allowance for doubtful accounts of \$ 150,924	483,422	168,932	5,005,262	58,377	5,715,993
Other receivables	-	84	13,511	-	13,595
Prepayments	-	11,833	29,162	-	40,995
Total current assets	<u>1,450,279</u>	<u>3,772,674</u>	<u>13,104,753</u>	<u>763,243</u>	<u>19,090,949</u>
<b>Noncurrent Assets</b>					
Notes receivable	-	-	23,295	-	23,295
Capital assets:					
Land	56,140	104,395	27,318	-	187,853
Distribution plant	21,530,567	8,928,080	32,121,088	-	62,579,735
Machinery and equipment	311,205	1,306,439	3,279,192	919,361	5,816,197
Construction in progress	-	-	304,824	-	304,824
Less: accumulated depreciation	<u>(8,870,294)</u>	<u>(7,329,163)</u>	<u>(15,908,634)</u>	<u>(896,067)</u>	<u>(33,004,158)</u>
Total non-current assets	<u>13,027,618</u>	<u>3,009,751</u>	<u>19,847,083</u>	<u>23,294</u>	<u>35,907,746</u>
Total assets	<u>14,477,897</u>	<u>6,782,425</u>	<u>32,951,836</u>	<u>786,537</u>	<u>54,998,695</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension plan	317,049	357,274	527,012	164,755	1,366,090
TVA Heat Pump Program	-	-	30,175	-	30,175
	<u>317,049</u>	<u>357,274</u>	<u>557,187</u>	<u>164,755</u>	<u>1,396,265</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable and accrued expenses	765,485	429,990	5,068,550	44,873	6,308,898
Customer deposits	121,823	497,141	1,258,792	-	1,877,756
Current maturities of long-term debt	261,203	-	258,080	-	519,283
Total current liabilities	<u>1,148,511</u>	<u>927,131</u>	<u>6,585,422</u>	<u>44,873</u>	<u>8,705,937</u>
<b>Non-current liabilities</b>					
Accrual for compensated absences	-	9,569	68,041	-	77,610
Notes payable	462,897	-	-	-	462,897
Bonds payable	5,317,547	-	2,899,826	-	8,217,373
Pension liability	1,262,385	1,340,346	4,099,478	644,495	7,346,704
Total non-current liabilities	<u>7,042,829</u>	<u>1,349,915</u>	<u>7,067,345</u>	<u>644,495</u>	<u>16,104,584</u>
Total liabilities	<u>8,191,340</u>	<u>2,277,046</u>	<u>13,652,767</u>	<u>689,368</u>	<u>24,810,521</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension plan	33,906	36,000	594,250	17,310	681,466
TVA Heat Pump Program	-	-	30,179	-	30,179
	<u>33,906</u>	<u>36,000</u>	<u>624,429</u>	<u>17,310</u>	<u>711,645</u>
<b>NET POSITION</b>					
Invested in capital assets, net of related debt	6,985,971	3,009,751	16,665,882	23,294	26,684,898
Restricted	458,239	-	-	-	458,239
Unrestricted	<u>(874,510)</u>	<u>1,816,902</u>	<u>2,565,945</u>	<u>221,320</u>	<u>3,729,657</u>
Total net position	<u>\$ 6,569,700</u>	<u>\$ 4,826,653</u>	<u>\$ 19,231,827</u>	<u>\$ 244,614</u>	<u>\$ 30,872,794</u>

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

**CITY OF NEW ALBANY, MISSISSIPPI**

**Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds**

**For the Year Ended September 30, 2015**

	<u>Major Funds</u>			<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
	<u>Water and Sewer</u>	<u>Gas System</u>	<u>Electric Department</u>		
<b>Operating revenues:</b>					
Charges for services	\$ 2,264,638	\$ 5,097,629	\$ 29,804,154	\$ 811,115	\$ 37,977,536
Other	37,570	-	-	-	37,570
Total operating revenues	<u>2,302,208</u>	<u>5,097,629</u>	<u>29,804,154</u>	<u>811,115</u>	<u>38,015,106</u>
<b>Operating expenses:</b>					
Natural gas purchased	-	2,712,600	-	-	2,712,600
Operation and maintenance	2,024,594	1,584,043	3,269,146	839,778	7,717,561
Purchased power	-	-	24,587,206	-	24,587,206
Depreciation and amortization	408,911	260,696	1,068,925	5,887	1,744,419
Tax equivalents	-	-	1,092,242	-	1,092,242
Total operating expenses	<u>2,433,505</u>	<u>4,557,339</u>	<u>30,017,519</u>	<u>845,665</u>	<u>37,854,028</u>
Operating income (loss)	<u>(131,297)</u>	<u>540,290</u>	<u>(213,365)</u>	<u>(34,550)</u>	<u>161,078</u>
<b>Non-operating revenues (expenses):</b>					
Grant revenue	968,181	-	-	-	968,181
Interest income	1,637	9,997	10,748	854	23,236
Interest expense	(80,711)	-	(121,859)	-	(202,570)
Non-operating expenses	-	-	(3,396)	-	(3,396)
Property taxes	-	-	-	56,286	56,286
Intergovernmental revenue	-	-	-	14,102	14,102
Total nonoperating revenues (expenses)	<u>889,107</u>	<u>9,997</u>	<u>(114,507)</u>	<u>71,242</u>	<u>855,839</u>
Income (loss) before operating transfers	757,810	550,287	(327,872)	36,692	1,016,917
Transfers in (out)	<u>(120,000)</u>	<u>(645,000)</u>	<u>-</u>	<u>10,680</u>	<u>(754,320)</u>
Change in net position	<u>637,810</u>	<u>(94,713)</u>	<u>(327,872)</u>	<u>47,372</u>	<u>262,597</u>
Net position, beginning - as previously stated	6,871,041	5,896,368	23,781,925	673,825	37,223,159
Cumulative effect of applying GASB 68	<u>(939,151)</u>	<u>(975,002)</u>	<u>(4,222,226)</u>	<u>(476,583)</u>	<u>(6,612,962)</u>
Net position, beginning - as restated	<u>5,931,890</u>	<u>4,921,366</u>	<u>19,559,699</u>	<u>197,242</u>	<u>30,610,197</u>
Net position, ending	<u>\$ 6,569,700</u>	<u>\$ 4,826,653</u>	<u>\$ 19,231,827</u>	<u>\$ 244,614</u>	<u>\$ 30,872,794</u>

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

**CITY OF NEW ALBANY, MISSISSIPPI**

**Statement of Cash Flows - Proprietary Funds**

**For the Year Ended September 30, 2015**

	<u>Major Funds</u>			<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
	<u>Water and Sewer</u>	<u>Gas System</u>	<u>Electric Department</u>		
<b>Cash flows from operating activities:</b>					
Receipts from customers	\$ 2,406,535	\$ 5,165,146	\$ 29,895,059	\$ 826,864	\$ 38,293,604
Payments to suppliers	(1,068,294)	(3,309,294)	(25,789,734)	(452,679)	(30,620,001)
Payments to employees	(881,707)	(898,357)	(2,635,918)	(377,336)	(4,793,318)
Payments to City of New Albany	-	-	-	-	-
Net cash provided (used) by operating activities	<u>456,534</u>	<u>957,495</u>	<u>1,469,407</u>	<u>(3,151)</u>	<u>2,880,285</u>
<b>Cash flows from non-capital financing activities:</b>					
Transfers to City General Fund	<u>(120,000)</u>	<u>(645,000)</u>	<u>(988,750)</u>	<u>10,680</u>	<u>(1,743,070)</u>
Net cash provided (used) in non-capital financing activities	<u>(120,000)</u>	<u>(645,000)</u>	<u>(988,750)</u>	<u>10,680</u>	<u>(1,743,070)</u>
<b>Cash flows from capital and related financing activities:</b>					
Taxes and intergovernmental revenues, net	-	-	-	70,388	70,388
Payments for acquisition of capital assets	(1,037,256)	(264,635)	-	-	(1,301,891)
Principal payments on long-term debt	(255,448)	-	(248,719)	-	(504,167)
Net additions to utility plant	-	-	(1,392,738)	-	(1,392,738)
Grants in aid of construction	968,181	-	-	-	968,181
Interest paid on long-term debt	<u>(83,511)</u>	<u>-</u>	<u>(121,859)</u>	<u>-</u>	<u>(205,370)</u>
Net cash provided by (used in) capital and related financing activities	<u>(408,034)</u>	<u>(264,635)</u>	<u>(1,763,316)</u>	<u>70,388</u>	<u>(2,365,597)</u>
<b>Cash flows from investing activities:</b>					
Interest on investments	1,637	9,997	10,748	854	23,236
Cash received from maturity of certificates of deposit	-	-	580,633	-	580,633
Cash paid for investment in certificates of deposit	<u>(948)</u>	<u>(1,641)</u>	<u>(581,832)</u>	<u>-</u>	<u>(584,421)</u>
Net cash provided (used) by investing activities	<u>689</u>	<u>8,356</u>	<u>9,549</u>	<u>854</u>	<u>19,448</u>
Net change in cash	(70,811)	56,216	(1,273,110)	78,771	(1,208,934)
Cash and cash equivalents at beginning of year	<u>546,613</u>	<u>2,258,423</u>	<u>8,140,384</u>	<u>626,095</u>	<u>11,571,515</u>
Cash and cash equivalents at end of year	<u>\$ 475,802</u>	<u>\$ 2,314,639</u>	<u>\$ 6,867,274</u>	<u>\$ 704,866</u>	<u>\$ 10,362,581</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ (131,297)	\$ 540,290	\$ (213,365)	\$ (34,550)	\$ 161,078
Nonoperating expenses	-	-	(3,396)	-	(3,396)
Transfers to City General Fund	-	-	988,750	-	988,750
Depreciation and amortization	408,911	260,696	1,068,925	5,887	1,744,419
Change in:					
Accounts receivable	102,535	61,345	(163,303)	12,004	12,581
Deferred outflows	(297,908)	(357,274)	-	(147,445)	(802,627)
Gas held in storage	-	182,411	-	-	182,411
Materials and supplies	-	(31,642)	(15,526)	-	(47,168)
Prepayments	-	-	6,813	-	6,813
Accounts payable and accrued expenses	34,502	(105,153)	(177,233)	(6,961)	(254,845)
Pension liability	304,093	365,344	(447,816)	167,914	389,535
Deferred inflows	33,906	36,000	392,306	-	462,212
Customer deposits	<u>1,792</u>	<u>5,478</u>	<u>33,252</u>	<u>-</u>	<u>40,522</u>
Net cash provided (used) by operating activities	<u>\$ 456,534</u>	<u>\$ 957,495</u>	<u>\$ 1,469,407</u>	<u>\$ (3,151)</u>	<u>\$ 2,880,285</u>

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

**CITY OF NEW ALBANY, MISSISSIPPI**

**Statement of Fiduciary Net Position**

**September 30, 2015**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash	\$ 7,654
Accounts and interest receivable	-
Investments	<u>15,120</u>
Total Assets	<u>\$ 22,774</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	<u>\$ 22,774</u>
Total Liabilities	<u>\$ 22,774</u>

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

# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2015

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of New Albany, Mississippi (the City) operates under a mayor-board of aldermen form of government and provides the following services: public safety (police and fire), street maintenance, recreation, sanitation, electricity, gas, water and sewer services and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

#### ***A. Financial Reporting Entity***

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB's Codification of Governmental Accounting and Financial Reporting Standards include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City has no component units.

#### ***B. Basis of Presentation***

##### **Government-Wide Financial Statements:**

The Statement of Net Position and Statement of Activities display information about the primary government. These statements include the financial activities of the overall City government, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. Program revenues include: (a) charges paid by the recipients for goods and services offered by the programs, (b) grants and contributions that are restricted to meeting the operations needs of a particular program, and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including taxes, are presented as general revenues.

# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2015

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### ***B. Basis of Presentation (continued)***

The City does not allocate indirect costs.

The City eliminates internal activity in the government-wide statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

#### **Fund Financial Statements:**

The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental funds and proprietary funds are aggregated and reported as non-major funds.

The following fund types are used by the City:

#### **1. Governmental Funds:**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a. **General fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. **Special revenue funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.
- c. **Debt service funds** are used to account for the accumulation of funds for the periodic payment of principal and interest on general-long term debt.
- d. **Capital project funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

#### **2. Proprietary Funds:**

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. Proprietary fund operating revenues, such as utilities sales and charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

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# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements

September 30, 2015

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *B. Basis of Presentation (continued)*

##### **3. Fiduciary Funds:**

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and is reported using accounting principals similar to proprietary funds.

The emphasis in fund financial statements is on major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. Major funds are defined as funds that have either assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses equal to at least 10 percent of their fund type total and at least 5 percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds on a qualitative basis.

The City reported the following major governmental funds in the accompanying financial statements:

**General Fund** – This is the city’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Tourism Fund** – This fund accounts for special tourism tax revenues and the expenditures thereof which are generally geared toward expansion of tourism within the City.

The City reported the following major enterprise funds in the accompanying financial statements:

**New Albany Electric Department** – This fund accounts for all financial transactions relating to the City’s electric service. Services are on a user-charge basis to residents and business owners located in the City and surrounding areas.

**New Albany Gas Department** – This fund accounts for all financial transactions relating to the City’s gas service. Services are on a user-charge basis to residents and business owners located in the City and surrounding areas.

**New Albany Water & Sewer Department** - This fund accounts for all financial transactions relating to the City’s water and sewer service. Services are on a user-charge basis to residents and business owners located in the City and surrounding areas.

The City’s fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

#### *C. Basis of Accounting*

The government-wide and proprietary fund financial statements are reported using the *economic resources* measurement focus and the *full accrual* basis of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2015

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *C. Basis of Accounting (continued)*

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The City considers revenues susceptible to accrual reported in the governmental funds to be available if the revenues are collected within sixty days after year end.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities. Transactions representing the exchange of interfund goods and services have also been included.

#### *D. Financial Statement Amounts*

##### **1. Cash and Cash Equivalents:**

The City has defined cash and cash equivalents to include cash on hand and demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statements of cash flows, the proprietary funds consider all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

##### **2. Investments:**

Investments consist of bank certificates of deposit with maturities of three months or more and are stated at cost, which equals market.

##### **3. Inventories**

Inventories of materials and supplies are stated at average cost; inventory of natural gas is valued at moving average cost. The consumption method is used to account for inventories. Under the consumption method, inventories are recorded as expenditures at the time inventory items are used, rather than purchased.

##### **4. Prepaid items**

Prepaid items are recorded at cost. Using the consumption method, prepaid items are recorded as expenditures over the period that service is provided.

##### **5. Capital assets:**

Capital assets purchased or acquired fixed assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Interest accrued on financing costs during construction is capitalized as construction costs. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements  
September 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Financial Statement Amounts (continued)

	<u>Estimated Useful Life</u>
Buildings	20-50 years
Improvements	10-40 years
Machinery and equipment	5-10 years
Other infrastructure	10-50 years
Water and sewer systems	30-50 years

**6. Deferred Outflows of Resources and Deferred Inflows of Resources**

A deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position applicable to a future reporting period. Furthermore, GASB No. 65 reclassified certain items that were previously reported as assets and liabilities to deferred outflows of resources and deferred inflows of resources.

**7. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee's Retirement System of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**8. Compensated Absences:**

In the event that available vacation time is not used within 180 days after the end of the benefit year, employees will forfeit the unused time. Compensated absences for sick time are credited against retirement and not paid directly to an employee that has left the City's service.

**9. Revenues:**

Substantially all governmental fund revenues are accrued. Union County (the County) assesses properties and bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, assessing a fee to the City for the service provided. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASBS No. 33.

**10. Inter-fund Activity:**

Inter-fund activity is reported as either loans, services provided, reimbursements, or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**11. Restricted Resources:**

Restricted resources are used first before unrestricted resources to fund appropriations when applicable.

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# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2015

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 12. Accounts Receivable:

The City reports trade receivables at net realizable value. Management determines the allowance for doubtful accounts based on historical losses, current economic conditions, and other factors. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against the existing allowance for doubtful accounts or against income.

#### 13. Electric Department Year End:

Data listed in this report for the Electric Department represent balances as of June 30, 2015, and cumulative totals for the 12-month period then ending.

#### 14. Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### 15. Concentrations of Credit Risk:

Financial instruments that potentially subject the City to concentrations of credit risk consist primarily of proprietary fund accounts receivable. The City grants unsecured credit to customers in and around the City of New Albany. Consequently, the City's ability to collect the amounts due from customers is affected by economic fluctuations in that region, although a security deposit is generally required before credit is granted.

#### 16. Subsequent Events:

In preparing these financial statements, the City has evaluated events and transaction for potential recognition or disclosure through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

#### 17. Budgets and Budgetary Accounting:

- a. The City Clerk submits proposed operating and capital budgets to the Mayor and Board of Aldermen for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain comments on the proposed budgets.
- c. The budgets are approved with the adoption of a budget ordinance for the General and Tourism Funds.
- d. Budgets are adopted on modified cash basis of accounting.

**CITY OF NEW ALBANY, MISSISSIPPI**

**Notes to Financial Statements  
September 30, 2015**

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

At year end, the carrying amounts of the City's deposits were covered by federal depository insurance or by collateral pledged to the Mississippi State Treasurer.

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Cash and investments are categorized in three categories of credit risk:

- Category 1 - Insured by FDIC or collateralized with securities held by the City or by its agent in its name.
- Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or collateralized with no written or approved collateral agreement.

At year-end, all cash and investments were considered category one.

**NOTE 3. RECEIVABLES**

A summary of accounts and receivables at September 30, 2015 follows:

	<i>Accounts</i>	<i>Due from Other Governments</i>	<i>Other</i>	<i>Total Receivables</i>
Governmental activities				
General	\$ -	\$ 578,862	\$ 1,365	\$ 580,227
Tourism	-	119,982	-	119,982
Other governmental	286	52,880	1,052	54,218
Total governmental activities	<u>\$ 286</u>	<u>\$ 751,724</u>	<u>\$ 2,417</u>	<u>\$ 754,427</u>
Business-type activities				
Electric	\$ 4,088,675	\$ 916,587	\$ -	\$ 5,005,262
Gas	168,932	-	-	168,932
Water and sewer	483,422	-	-	483,422
Other business-type	57,877	500	-	58,377
Total business-type activities	<u>\$ 4,798,906</u>	<u>\$ 917,087</u>	<u>\$ -</u>	<u>\$ 5,715,993</u>

**NOTE 4. CAPITAL LEASE RECEIVABLE**

The City has entered into capital lease agreements with both CEC Production Metal Processing, Inc. (CEC) and Abby Manufacturing Co., Inc. (Abby) to lease/sell buildings to them. These are capital leases accounted for as "direct financing leases" for the following reasons: There is a clause at the term of the leases that allows the lessees to purchase the buildings in a "bargain" purchase. It is the City's intention to sell the buildings to the lessees.

**CITY OF NEW ALBANY, MISSISSIPPI**

**Notes to Financial Statements  
September 30, 2015**

**NOTE 4. CAPITAL LEASE RECEIVABLE (continued)**

The City has entered into capital lease agreements with both CEC Production Metal Processing, Inc. (CEC) and Abby Manufacturing Co., Inc. (Abby) to lease/sell buildings to them. These are capital leases accounted for as "direct financing leases" for the following reasons: There is a clause at the term of the leases that allows the lessees to purchase the buildings in a "bargain" purchase. It is the City's intention to sell the buildings to the lessees.

The City borrowed \$ 191,984 through a CAP loan in fiscal year 2006 to construct the building under lease to CEC. In consideration of the sale of the building, the City is expecting CEC to pay a total of \$ 279,212 in rents over the term of the lease in monthly payments of \$ 1,163.39 per month from October 1, 2006 through September 1, 2026.

Total minimum lease payments at inception of the lease with CEC were \$ 279,212. The carrying amount of the building was \$ 191,984. Therefore, the implicit interest in the transaction is the difference or \$ 87,228 of unearned interest income. The effective interest method is used to amortize the interest revenue over the term of the lease. The interest rate implicit in the calculation and used for amortization is 4%.

The City also borrowed \$ 350,000 through a CAP loan in fiscal year 2006 to renovate the building currently under lease to Abby. In consideration of the sale of the building, the City is expecting Abby to pay a total of \$ 259,411 in rents over the term of the lease in monthly payments of \$ 2,000 per month from June 1, 2012 through May 1, 2022 including \$ 19,411 at the end of the lease term.

Total minimum lease payments at inception of the lease with Abby were \$ 259,411. The present value of the minimum lease payments was \$ 221,473. Therefore, the implicit interest in the transaction is the difference, or \$ 37,938 of unearned interest income. The effective interest method is used to amortize the interest revenue over the term of the lease. The interest rate implicit in the calculation and used for amortization is 3%.

Future minimum lease receivables are as follows:

	<u>Principal</u>	<u>Interest</u>
Years ending September 30:		
2016	\$ 28,640	\$ 9,321
2017	29,606	8,355
2018	30,605	7,355
2019	31,638	6,322
2020	32,708	5,252
2021-2025	119,590	11,332
2026-2028	12,837	252
	<u>\$ 285,624</u>	<u>\$ 48,189</u>

The County has identical agreements with MDA, CEC and Abby.

**CITY OF NEW ALBANY, MISSISSIPPI**

**Notes to Financial Statements  
September 30, 2015**

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended September 30, 2015, was as follows:

	<i><u>Beginning Balance</u></i>	<i><u>Additions</u></i>	<i><u>Retirements</u></i>	<i><u>Ending Balance</u></i>
<b>Governmental Activities:</b>				
Non-depreciable capital assets:				
Land	\$ 1,109,750	\$ -	\$ -	\$ 1,109,750
Construction in progress	312,504	943,288	-	1,255,792
Timber rights	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Total non-depreciable capital assets	<u>1,432,254</u>	<u>943,288</u>	<u>-</u>	<u>2,375,542</u>
Depreciable capital assets:				
Buildings	3,394,151	-	-	3,394,151
Improvements other than buildings	5,894,603	376,576	-	6,271,179
Machinery and equipment	3,358,508	366,650	58,867	3,666,291
Road network	2,623,770	-	-	2,623,770
Bridge network	<u>450,456</u>	<u>296,479</u>	<u>-</u>	<u>746,935</u>
Total depreciable capital assets	<u>15,721,488</u>	<u>1,039,705</u>	<u>58,867</u>	<u>16,702,326</u>
Less accumulated depreciation for:				
Buildings	855,315	110,221	-	965,536
Improvements other than buildings	1,224,159	285,298	-	1,509,457
Machinery and equipment	2,245,122	252,364	24,050	2,473,436
Road network	995,085	96,164	-	1,091,249
Bridge network	<u>166,141</u>	<u>10,850</u>	<u>-</u>	<u>176,991</u>
Total accumulated depreciation	<u>5,485,822</u>	<u>754,897</u>	<u>24,050</u>	<u>6,216,669</u>
Total depreciable capital assets, net	<u>10,235,666</u>	<u>284,808</u>	<u>34,817</u>	<u>10,485,657</u>
Governmental activities capital assets, net	<u>\$ 11,667,920</u>	<u>\$ 1,228,096</u>	<u>\$ 34,817</u>	<u>\$ 12,861,199</u>

Depreciation expense for governmental activities was charged to functions as follows:

General government	\$ 129,121
Public safety	168,040
Public works, including road and bridge networks	263,927
Culture and recreation	<u>193,809</u>
	<u>\$ 754,897</u>

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**CITY OF NEW ALBANY, MISSISSIPPI**

**Notes to Financial Statements  
September 30, 2015**

**NOTE 5. CAPITAL ASSETS** (continued)

Capital asset activity for business-type activities for the year ended September 30, 2015, was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
<b>Business-Type Activities:</b>				
Non-depreciable capital assets:				
Land	\$ 179,853	\$ 8,000	\$ -	\$ 187,853
Construction in progress	2,718,899	-	2,414,075	304,824
Total non-depreciable capital assets	<u>2,898,752</u>	<u>8,000</u>	<u>2,414,075</u>	<u>492,677</u>
Depreciable capital assets:				
Distribution plant	58,664,416	4,290,108	374,789	62,579,735
Machinery and equipment	4,980,405	835,792	-	5,816,197
Total depreciable capital assets	<u>63,644,821</u>	<u>5,125,900</u>	<u>374,789</u>	<u>68,395,932</u>
Less accumulated depreciation for:				
Distribution plant	27,602,626	1,633,723	495,006	28,741,343
Machinery and equipment	4,006,706	256,109	-	4,262,815
Total accumulated depreciation	<u>31,609,332</u>	<u>1,889,832</u>	<u>495,006</u>	<u>33,004,158</u>
Total depreciable capital assets, net	<u>32,035,489</u>	<u>3,236,068</u>	<u>(120,217)</u>	<u>35,391,774</u>
Business-Type activities capital assets, net	<u>\$ 34,934,241</u>	<u>\$ 3,244,068</u>	<u>\$ 2,293,858</u>	<u>\$ 35,884,451</u>

Depreciation expense for business-type activities was charged to functions as follows:

Electric	\$ 1,068,925
Gas	260,696
Water and sewer	408,911
Other non-major proprietary funds	<u>5,887</u>
	<u>\$ 1,744,419</u>

**NOTE 6. PAYABLES**

Payables at September 30, 2015, were as follows:

	<i>Vendors</i>	<i>Salaries and Benefits</i>	<i>Other</i>	<i>Total</i>
Governmental activities:				
General	\$ 308,248	\$ 82,799	\$ 32,522	\$ 423,569
Tourism	34,127	3,796	604	38,527
Other governmental	162,231	60,125	-	222,356
Total governmental activities	<u>\$ 504,606</u>	<u>\$ 146,720</u>	<u>\$ 33,126</u>	<u>\$ 684,452</u>

**CITY OF NEW ALBANY, MISSISSIPPI**

**Notes to Financial Statements  
September 30, 2015**

**NOTE 6. PAYABLES (continued)**

Payables at September 30, 2015, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Business-type activities				
Electric	\$ 4,617,036	\$ 97,602	\$ 353,912	\$ 5,068,550
Gas	141,987	17,622	270,381	429,990
Water and sewer	158,888	18,032	588,565	765,485
Other business-type	<u>37,402</u>	<u>7,471</u>	-	<u>44,873</u>
Total business-type activities	<u>\$ 4,955,313</u>	<u>\$ 140,727</u>	<u>\$ 1,212,858</u>	<u>\$ 6,308,898</u>

**NOTE 7. NONCURRENT LIABILITIES**

The City's noncurrent liabilities (excluding pension liability) are segregated between amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. Amounts included in noncurrent liabilities due within one year represent the current maturities of long-term debt.

**Governmental Activities:**

As of September 30, 2015, the governmental noncurrent liabilities consisted of the following:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
Capital lease obligations	5.500%	4/1/2016	39,152
Capital improvement loan	3.000%	7/1/2029	262,320
Capital improvement loan	3.000%	9/1/2026	120,321
Capital improvement loan	2.000%	12/1/2028	898,797
G.O. improvement bond	3.000%	6/1/2028	1,113,000
Accrual for compensated absences			<u>140,128</u>
			<u>\$ 2,573,718</u>

**Business-type Activities:**

As of September 30, 2015, the noncurrent liabilities payable from proprietary fund resources consisted of the following:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
State of MS Commission on Environmental Quality	1.750%	10/31/2032	487,604
Combined Revenue Bond R-1	2.750%	3/11/2049	1,705,314
Series 2013 Refunding Bond	2.00%-3.25%	5/1/2033	3,825,000
G.O. Taxable Refunding Bond R-1	3.700%	5/16/2025	3,157,906
Refunding bond Premium			23,729
Accrual for compensated absences			<u>77,610</u>
			<u>\$ 9,277,163</u>

The following is a summary of changes in noncurrent liabilities for the year ended September 30, 2015:

**CITY OF NEW ALBANY, MISSISSIPPI**

**Notes to Financial Statements  
September 30, 2015**

**NOTE 7. NONCURRENT LIABILITIES (continued)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Governmental activities:					
Notes payable	\$ 1,369,560		\$ 88,122	\$ 1,281,438	\$ 84,963
Capital lease obligations	33,787	53,750	48,385	39,152	23,890
Bonds payable	1,182,000	-	69,000	1,113,000	71,000
Compensated absences	116,451	23,677	-	140,128	-
Total governmental fund debt	<u>\$ 2,701,798</u>	<u>\$ 77,427</u>	<u>\$ 205,507</u>	<u>\$ 2,573,718</u>	<u>\$ 179,853</u>
Business-type activities					
Bonds payable	\$ 9,168,109	\$ -	\$ 479,889	\$ 8,688,220	\$ 494,577
Refunding bond premiums	24,818	-	1,089	23,729	-
Notes payable	511,882	-	24,278	487,604	24,706
Compensated absences	75,483	2,127	-	77,610	-
Total enterprise fund debt	<u>\$ 9,780,292</u>	<u>\$ 2,127</u>	<u>\$ 505,256</u>	<u>\$ 9,277,163</u>	<u>\$ 519,283</u>

**Annual Debt Service Requirements**

The annual debt service requirements to maturity, including principal and interest, for debt included in noncurrent liabilities as of September 30, 2015 are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>			
	<u>Bonds</u>		<u>Notes and Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 71,000	\$ 33,390	\$ 108,853	\$ 11,233
2017	73,000	31,260	102,004	10,326
2018	76,000	29,070	88,757	9,543
2019	78,000	26,790	90,819	8,737
2020	80,000	24,450	92,932	7,905
2021-2025	438,000	84,780	498,187	26,143
2026-2030	297,000	18,000	339,038	4,904
2031-2035	-	-	-	-
	<u>\$ 1,113,000</u>	<u>\$ 247,740</u>	<u>\$ 1,320,590</u>	<u>\$ 78,791</u>

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**CITY OF NEW ALBANY, MISSISSIPPI**

**Notes to Financial Statements  
September 30, 2015**

**NOTE 7. NONCURRENT LIABILITIES (continued)**

<i>Year Ending September 30,</i>	<i>Business Type Activities</i>			
	<i>Bonds</i>		<i>Note Payable MSDEQ</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2016	\$ 494,577	\$ 253,834	\$ 24,706	\$ 8,336
2017	510,168	239,143	25,142	7,900
2018	526,148	223,964	25,586	7,456
2019	542,534	208,280	26,037	7,005
2020	559,338	192,076	26,497	6,545
2021-2025	3,147,657	694,724	139,662	25,549
2026-2030	1,434,135	330,787	152,423	12,787
2031-2035	596,396	161,414	67,551	1,288
2036-2040	288,407	101,653	-	-
2041-2045	330,866	59,193	-	-
2046-2050	257,994	12,860	-	-
	<u>\$ 8,688,220</u>	<u>\$ 2,477,928</u>	<u>\$ 487,604</u>	<u>\$ 76,866</u>

Bonds issued by the Water & Sewer System require the System to establish a bond cushion fund, a depreciation fund, and a contingent fund. The System has established and maintains balances in these funds aggregating \$ 458,239, which is consistent, in all material respects, with the covenants contained in the related bond issues. The balance of these accounts is included in restricted net position on the statement of net position.

**NOTE 8. CAPITAL LEASE OBLIGATIONS**

The City has entered into certain capital equipment leases. The lease terms, which vary by agreement, call for monthly or annual payments and contain a bargain purchase option or otherwise convey title at the end of the lease term. The underlying leased equipment is included in capital assets at a cost basis of \$101,166 with related accumulated depreciation of \$33,431. Related amortization is included in depreciation expense.

**NOTE 9. INTERFUND BALANCES**

Inter-fund balances at September 30, 2015, consisted of the following:

	<i>Due From General Fund</i>
Due to Tourism Fund	<u>\$ 99,433</u>

**NOTE 10. INTER-FUND TRANSFERS**

Inter-fund transfers for the year ended September 30, 2015, consisted of the following:

**CITY OF NEW ALBANY, MISSISSIPPI**

**Notes to Financial Statements  
September 30, 2015**

**NOTE 10. INTER-FUND TRANSFERS (continued)**

		Transfer From					
		<u>General</u>	<u>Tourism</u>	<u>Nonmajor</u>	<u>Water and</u>	<u>Gas</u>	<u>Total</u>
		<u>Fund</u>	<u>Fund</u>	<u>Govern.</u>	<u>Sewer</u>	<u>Gas</u>	<u>Total</u>
Transfer to	General fund	\$ 20,000	\$ -	\$ -	\$ 120,000	\$ 645,000	\$ 785,000
	Nonmajor governmental	76,207	30,000	2,622	-	-	108,829
	Nonmajor proprietary	10,680	-	-	-	-	10,680
		<u>\$ 106,887</u>	<u>\$ 30,000</u>	<u>\$ 2,622</u>	<u>\$ 120,000</u>	<u>\$ 645,000</u>	<u>\$ 904,509</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 11. PROPERTY TAX**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied at the city board meeting prior to September 15 and are payable in three installments on February 1, May 1, and July 1. The County bills, collects, and remits City and City Separate School District property taxes to the City. In turn, the City forwards the City Separate School District taxes to the School district. The City property tax revenues are recognized when levied to the extent that they result in current receivables.

**NOTE 12. RELATED PARTY TRANSACTIONS**

The City provides all four utility departments with certain services of the Mayor and Board of Aldermen at no charge.

Electricity is supplied to the Electric Department by the Tennessee Valley Authority under a contract which limits the withdrawal of profits from the Department by the City to a computed in-lieu-of property tax payment and a 3% annual return on the City's investment in the Department.

The Electric Department's billings to customers are combined with those of the City's other utility departments. The Electric Department services the accounts receivable, reimbursing the other utility departments for total billings each month. Adjustments for bad debts, forfeited discounts and other adjustments are made periodically.

Various purchases and other expenses are paid by the Electric Department on behalf of the City's other utility departments and are later reimbursed.

The four utility departments also conduct other transactions with each other. These transactions are routine in nature and are not material to the financial statements of the utility departments or to the City.

**NOTE 13. LEASING ARRANGEMENTS**

The Electric, Gas and Water & Sewer Departments lease certain equipment, as needed, for repairs or additions to the system under day-to-day or month-to-month terms. Rental expense related to these leases for the Electric Department amounted to \$ 76,514 during the year ended June 30, 2015, for the Gas Department amounted to \$ 2,322 and for the Water & Sewer Department amounted to \$ 2,844 during the year ended September 30, 2015.

## CITY OF NEW ALBANY, MISSISSIPPI

### Notes to Financial Statements September 30, 2015

#### NOTE 14. FINANCIAL INSTRUMENTS

The carrying amount of cash, investments, accounts and other receivables, accounts payable and accrued expenses approximates fair value because of the short maturity of these financial instruments.

#### NOTE 15. NOTES RECEIVABLE

The Electric Department's servicing organization, Central Services Association, Inc. (CSA), refunds, annually, a percentage of billings to its shareholders. For the past several years, the refunds have not been credited to shareholders. Unremitted refunds prior to June 30, 2003 are included in notes receivable and bear interest.

Governmental fund notes receivable are discussed further in Note 18.

#### NOTE 16. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability and workers' compensation coverage. The City joined the Mississippi Municipal Service Company (the Company), which is a public entity risk pool established in 1991 by the Mississippi Municipal League. The City pays annual premiums to the Company for the above policies. The Company provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. The City's premiums are calculated based on its prior claims history.

It is the policy of the City to purchase commercial insurance for the risks of property damage and employee dishonesty. Settled claims have not exceeded this commercial coverage or the coverage provided by the Company in any of the past three years. There have been no significant reductions in insurance coverage from coverage in the prior year.

#### NOTE 17. JOINT VENTURES

The City participates in the following joint ventures with Union County, Mississippi. The financial statements for these ventures may be obtained directly from the entity.

New Albany Main Street Association is involved in promotion of downtown business. For the fiscal year ended September 30, 2015, the City provided \$ 42,500 in support to the Association.

The Union County Library administers the countywide library. For the fiscal year ended September 30, 2015, the City provided \$ 15,000 in support to the Library.

Union County Development Association is involved in business development. For the fiscal year ended September 30, 2015, the City provided \$ 60,500 in support to the Association.

Union County Literacy Council is involved in the promotion of literacy throughout the county. For the fiscal year ended September 30, 2015, the City provided \$ 4,800 in support to the Council.

Union County Welfare Department administers the operations of the local welfare department. For the fiscal year ended September 30, 2015, the City provided \$ 5,400 in support to the Department.

Union County Health Department administers the operations of the local health department. For the fiscal year ended September 30, 2015, the City provided \$ 3,600 in support to the Department.

Union County Heritage Museum administers the operations of the local museum. For the fiscal year ended September 30, 2015, the City provided \$ 47,618 in support to the Museum.

## CITY OF NEW ALBANY, MISSISSIPPI

### Notes to Financial Statements September 30, 2015

#### NOTE 17. JOINT VENTURES (continued)

The City provides support to various other organizations that it feels are vital to the community.

During the fiscal year ended September 30, 2014, the City entered into an interlocal cooperative agreement with Union County, Pontotoc County, Chickasaw County, the City of Pontotoc, the City of Houston, the Town of New Houlka, the Town of Ecu and the Town of Algoma. The interlocal agreement was entered into because the City of New Albany agreed to make application (i.e. be the "Applicant City") with the Mississippi Development Authority through the Capital Improvements Revolving Loan Program ("CAP loan") for purpose of securing funding necessary for GM&O Rails to Trails Recreational District of North Mississippi (of which the City of New Albany is a participating entity long with the aforementioned municipalities) to complete the construction of the Tanglefoot Trail.

The GM&O Rails to Trails Recreational District of North Mississippi (hereafter "the District") was formed to support right-of-way purchase, development, design, construction, and management of the more than 44 miles of abandoned railroad corridor, which has become a multi-use recreational trail called "the Tanglefoot Trail", and which spans from the City of Houston to the City of New Albany.

During the fiscal year ended September 30, 2014, the City of New Albany received advances on long-term debt under the CAP loan program of \$ 1,000,000 as a conduit for the District, in turn remitting the proceeds of those advances to the District. Under the terms of the interlocal agreement, each of the District member entities have committed an amount equal to one quarter of a mill from each of their respective general funds for fifteen consecutive years to be paid to the District to service the CAP loan debt and to maintain the Tanglefoot Trail. Each municipality has pledged their homestead exemption or sales tax rebates as collateral for the CAP loan debt.

During the current fiscal year, the City of New Albany, again acting as a conduit, received \$ 77,221 from the District to fund the required CAP loan note payments of \$ 58,394 in principal payments and \$ 18,827 in interest payments remitted to the Mississippi Development Authority. Since the City is the obligor of record as the Applicant City on the debt, the City has recognized the long-term debt in the government-wide statement of net position. However, since the City, under the terms of the interlocal agreement, is to receive the funds necessary to repay the debt from the District, a note receivable is also reflected in the government-wide statement of net position.

As a result of the interlocal agreement, the City's obligation (other than acting as agent for the conduit transactions outlined above) is to, annually, provide a quarter of a mill to the District. During the year ended September 30, 2015, the City's contribution to the district amounted to \$ 15,430 which was charged as "aid to other governments" to expenditures.

#### NOTE 18. MAGNOLIA CIVIC CENTER

The City has committed to the renovation and maintenance of the Magnolia Civic Center in the old Cine' Theater and surrounding buildings. The City is leasing one of these buildings from BNA Bank under a 50-year lease of \$ 1 a year.

#### NOTE 19. UNEMPLOYMENT CONTINGENT LIABILITY

The City has an agency fund in which it holds funds restricted to pay unemployment claims. At September 30, 2015, \$ 17,318 has been accumulated in this fund. The general fund of the City would be required to pay any claims exceeding monies available in this fund.

**CITY OF NEW ALBANY, MISSISSIPPI**

**Notes to Financial Statements  
September 30, 2015**

**NOTE 20. NEW ALBANY/UNION COUNTY AIRPORT**

In April 2004, the City assumed responsibility for the finances of the New Albany/Union County Airport after the Airport's board was disbanded. An enterprise fund was established and is reflected in these financial statements.

**NOTE 21. ADVANCE PAYMENTS RECEIVED**

During the year ended September 30, 2011, the City sold the naming rights to the local sportsplex facility to a local business for \$ 500,000 and renamed the sportsplex facility "BNA Bank Park". The agreement runs for a 20 year period, and, pursuant to the provisions of GASB 48, represents the sale of future revenues. GASB 48 requires sales of future revenues be reported as deferred inflows and amortized over the life of the sale agreement using a systematic and rational method. During the year ended September 30, 2015, the City recognized revenue of \$ 25,000 related to this sale agreement with the unamortized balance of \$ 387,500 included in deferred inflows of resources in the Tourism Fund.

Other advance payments received included in deferred inflows relate to payments in lieu of taxes received from the City's Electric Department allocable to a future period.

**NOTE 22. FUND BALANCE REPORTING**

Fund balances reported in the governmental funds are classified based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The various classifications are:

Nonspendable – includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted – includes amounts where constraints are placed on the use of the resources by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation. The City's restricted fund balances relate to grant funds provided by resource providers for specific purposes.

Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Aldermen.

Assigned – includes amounts intended to be used for specific purposes, but are neither restricted nor committed.

Unassigned – the residual classification.

**NOTE 23. OTHER INFORMATION**

At year end the City of New Albany was investigating certain matters with the assistance of the Mississippi Office of the State Auditor. At the date of this report the investigation was incomplete.

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# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2015

### NOTE 24. PENSION PLAN

#### *A. General Information about the Pension Plan*

##### Plan description

The Public Employee's Retirement System of Mississippi (PERS) was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, or other public employees whose employers have elected to participate in PERS and elected members of the State Legislature and the President of the Senate. PERS administers a cost-sharing, multiple employer defined benefit pension plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*.

##### Benefits provided

For the cost-sharing plan participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with a provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

##### Contributions

Pursuant to Miss. Code Ann. § 25-11-123 (1972, as amended), the Board of Trustees of the Public Employees' Retirement System of Mississippi is authorized to set the contribution rates for both employee and employer contributions based on the basis of the liabilities of the retirement system as show by the actuarial valuation. Effective July 1, 2010 and continuing thereafter until amended by the Board of Trustees of the Public Employees' Retirement System of Mississippi, the employee contribution rate was fixed at 9.00 percent of earned compensation. The City's contractually required contribution rate, effective July 1, 2013 and continuing thereafter until amended by the Board of Trustees of the Public Employees' Retirement System of Mississippi, was fixed at 15.75 percent of earned compensation. Contributions to the pension plan from the City were \$ 1,022,257 for the year ended September 30, 2015.

#### *B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At September 30, 2015, the City reported a liability of \$ 14,925,261 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contribution (including contributions by New Albany Light, Gas & Water) to the total actual contributions of all participating employers to PERS as of and for the PERS fiscal year ended June 30, 2015. At June 30, 2015, the City's proportion was 0.1039 %, which was an increase of .0028% from its proportion measured as of June 30, 2014.

**CITY OF NEW ALBANY, MISSISSIPPI**

**Notes to Financial Statements  
September 30, 2015**

**NOTE 24. PENSION PLAN (continued)**

For the year ended September 30, 2015, the City recognized pension expense of \$1,360,379. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u><i>Deferred Outflows of Resources</i></u>	<u><i>Deferred Inflows of Resources</i></u>
Differences between expected and actual experience	\$ 315,462	\$ -
Changes in assumptions	932,603	-
Net difference between projected and actual earnings on pension plan investments	-	885,014
Changes in proportion and differences between System contributions and proportionate share of contributions	1,546,922	-
System contributions subsequent to the measurement date	<u>506,220</u>	<u>-</u>
	<u>\$ 3,301,207</u>	<u>\$ 885,014</u>

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ended June 30,	
2016	\$ 591,842
2017	581,349
2018	425,923
2019	310,859
2020	-
Therafter	<u>-</u>
	<u>\$ 1,909,973</u>

**Actuarial assumptions**

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.75% - 19.00%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

**CITY OF NEW ALBANY, MISSISSIPPI**

**Notes to Financial Statements  
September 30, 2015**

**NOTE 24. PENSION PLAN (continued)**

**Actuarial assumptions** (continued)

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used at June 30, 2015 were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Broad	34.00 %	5.20 %
International equity	19.00	5.00 %
Emerging markets equity	8.00	5.45 %
Fixed income	20.00	0.25 %
Real assets	10.00	4.00 %
Private equity	8.00	6.15 %
Cash	1.00	(0.50) %
	<u>100.00 %</u>	

**Discount rate**

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at the current employer contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the System's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
System's proportionate share of the net pension liability	\$ 19,862,578	\$ 14,925,261	\$ 10,827,646

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements  
September 30, 2015

NOTE 24. PENSION PLAN (continued)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report which can be obtained at [www.pers.ms.gov](http://www.pers.ms.gov).

Payables to the pension plan

Amounts included in accounts payable and accrued expenses related to PERS contributions payable at September 30, 2015 are not material to the financial statements.

NOTE 25. CUMULATIVE EFFECT ADJUSTMENT

During the year ended September 30, 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions and GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date were implemented. GASB No. 68 requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. Cost-sharing employers are required to recognize the liability for its proportionate share of the net pension liability of all employers for benefits provided through the pension plan. GASB No. 71 amended GASB No. 68, to require a government to recognize a beginning deferred outflow of resources only for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year.

Transition guidance in GASB 68 requires that accounting changes adopted to conform to the provisions of that Statement should be applied retroactively by restating financial statements, if practical, for all periods presented. If restatement is not practical, the cumulative effect of applying this Statement should be reported as a restatement of beginning net position for the earliest period presented. Based on the foregoing, the cumulative effect adjustment reflected in the financial statements for the year ended September 30, 2015, is comprised of the following components:

Beginning of year proportionate share of net pension liability	\$ 12,721,937
Beginning of year pension contributions made after beginning of year measurement date	<u>(497,051)</u>
	<u>\$ 12,224,886</u>

**Required Supplementary Information**

**CITY OF NEW ALBANY, MISSISSIPPI**

**Budgetary Comparison Schedule - General Fund**

**For the Year Ended September 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>Revenues:</b>				
Taxes	\$ 1,110,000	\$ 1,100,830	\$ 1,100,830	\$ -
Licenses and permits	106,200	94,164	94,164	-
Intergovernmental revenue	3,759,501	3,708,456	3,708,456	-
Charges for services	297,950	155,597	155,597	-
Fines and forfeitures	250,000	346,914	346,914	-
Investment earnings	15,000	3,380	3,380	-
Miscellaneous	71,750	64,783	64,783	-
Total Revenues	<u>5,610,401</u>	<u>5,474,124</u>	<u>5,474,124</u>	<u>-</u>
<b>Expenditures:</b>				
General government:				
Legislative:				
Personal services	119,317	119,317	108,917	10,400
Supplies	50	50	-	50
Other services and charges	10,125	10,125	8,698	1,427
	<u>129,492</u>	<u>129,492</u>	<u>117,615</u>	<u>11,877</u>
Judicial:				
Personal services	126,062	126,062	122,983	3,079
Supplies	7,900	7,900	3,806	4,094
Other services and charges	22,600	44,396	44,396	-
	<u>156,562</u>	<u>178,358</u>	<u>171,185</u>	<u>7,173</u>
Executive:				
Personal services	160,023	160,023	154,733	5,290
Supplies	5,600	5,600	3,066	2,534
Other services and charges	7,925	7,925	6,072	1,853
Capital outlay	-	-	-	-
	<u>173,548</u>	<u>173,548</u>	<u>163,871</u>	<u>9,677</u>
Financial:				
Personal services	105,908	105,908	91,800	14,108
Supplies	6,350	6,350	6,106	244
Other services and charges	77,775	77,775	61,500	16,275
	<u>190,033</u>	<u>190,033</u>	<u>159,406</u>	<u>30,627</u>

The accompanying notes to the required supplementary information are an integral part of this schedule.

**CITY OF NEW ALBANY, MISSISSIPPI**

**Budgetary Comparison Schedule - General Fund (Continued)**

**For the Year Ended September 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures - Continued:</b>				
Legal:				
Personal services	69,646	69,646	64,705	4,941
Supplies	50	50	-	50
Other services and charges	6,850	6,850	4,903	1,947
	<u>76,546</u>	<u>76,546</u>	<u>69,608</u>	<u>6,938</u>
Building Inspector:				
Personal services	60,308	60,308	53,878	6,430
Supplies	5,500	5,500	2,474	3,026
Other services and charges	10,780	10,780	6,625	4,155
	<u>76,588</u>	<u>76,588</u>	<u>62,977</u>	<u>13,611</u>
Code Enforcement				
Personal services	50,360	50,360	24,078	26,282
Supplies	7,950	7,950	1,442	6,508
Other services and charges	7,400	7,400	2,863	4,537
	<u>65,710</u>	<u>65,710</u>	<u>28,383</u>	<u>37,327</u>
Public property:				
Personal services	121,506	125,291	125,291	-
Supplies	12,950	12,950	7,497	5,453
Other services and charges	134,175	134,175	128,678	5,497
Capital outlay	17,000	17,000	14,089	2,911
	<u>285,631</u>	<u>289,416</u>	<u>275,555</u>	<u>13,861</u>
Miscellaneous:				
Personal services	12,000	12,000	8,037	3,963
Supplies	750	750	410	340
Other services and charges	334,862	352,016	352,016	-
	<u>347,612</u>	<u>364,766</u>	<u>360,463</u>	<u>4,303</u>
Public Safety:				
Police:				
Personal services	1,550,114	1,588,903	1,588,903	-
Supplies	165,000	165,000	160,943	4,057
Other services and charges	139,747	178,788	178,788	-
Capital outlay	28,000	106,360	106,360	-
	<u>1,882,861</u>	<u>2,039,051</u>	<u>2,034,994</u>	<u>4,057</u>
Fire:				
Personal services	1,096,218	1,096,218	1,010,896	85,322
Supplies	71,725	71,725	50,287	21,438
Other services and charges	53,275	53,275	45,616	7,659
	<u>1,221,218</u>	<u>1,221,218</u>	<u>1,106,799</u>	<u>114,419</u>

The accompanying notes to the required supplementary information are an integral part of this schedule.

**CITY OF NEW ALBANY, MISSISSIPPI**  
**Budgetary Comparison Schedule - General Fund (Continued)**  
**For the Year Ended September 30, 2015**

	<u>Budgeted Amounts</u>		<b>Actual Amounts Budgetary</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	
<b>Expenditures - Continued:</b>				
Streets:				
Personal services	471,672	471,672	360,906	110,766
Supplies	145,500	145,500	112,971	32,529
Other services and charges	170,750	206,189	206,189	-
Capital outlay	81,200	81,200	35,787	45,413
	<u>869,122</u>	<u>904,561</u>	<u>715,853</u>	<u>188,708</u>
Recreation:				
Personal services	471,248	480,452	480,452	-
Supplies	205,250	205,250	202,106	3,144
Other services and charges	81,600	81,600	72,975	8,625
Capital outlay	73,700	88,771	88,771	-
	<u>831,798</u>	<u>856,073</u>	<u>844,304</u>	<u>11,769</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in (out)	696,320	863,437	639,413	(224,024)
Proceeds from the disposal of capital assets	-	-	-	-
	<u>696,320</u>	<u>863,437</u>	<u>639,413</u>	<u>(224,024)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	(227,799)	2,524	<u>\$ 230,323</u>
Fund balance - beginning of year	<u>1,627,492</u>	<u>1,488,624</u>	<u>1,909,916</u>	
Fund balance - end of year	<u>\$ 1,627,492</u>	<u>\$ 1,260,825</u>	<u>\$ 1,912,440</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budgetary basis			2,524	
Revenue and expense accruals, net			<u>(113,273)</u>	
Modified accrual basis			<u>\$ (110,749)</u>	

The accompanying notes to the required supplementary information are an integral part of this schedule.

**CITY OF NEW ALBANY, MISSISSIPPI**  
**Budgetary Comparison Schedule - Tourism Fund**  
**For the Year Ended September 30, 2015**

	<u>Budgeted Amounts</u>		<b>Actual Amounts Budgetary</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	
<b>Revenues:</b>				
Project donations	\$ 7,500	\$ 21,150	\$ 21,150	-
Intergovernmental revenue	649,700	695,235	695,235	-
Miscellaneous revenue	5,000	14,341	14,341	
Investment earnings	300	300	300	-
<b>Total Revenues</b>	<u>662,500</u>	<u>731,026</u>	<u>731,026</u>	<u>-</u>
<b>Expenditures:</b>				
General government:				
Heritage Museum				
Personal services	93,659	94,797	94,797	-
Other services and charges	56,118	57,318	57,318	-
	<u>149,777</u>	<u>152,115</u>	<u>152,115</u>	<u>-</u>
City Beautification:				
Other services and charges	57,212	57,212	56,600	612
	<u>57,212</u>	<u>57,212</u>	<u>56,600</u>	<u>612</u>
Cine' Restoration:				
Other services and charges	5,000	5,000	-	5,000
Capital outlay	30,000	30,000	30,000	-
	<u>35,000</u>	<u>35,000</u>	<u>30,000</u>	<u>5,000</u>
Tourism & Marketing				
Personal services	69,061	69,061	67,782	1,279
Consumable supplies	122,126	162,077	162,077	-
	<u>191,187</u>	<u>231,138</u>	<u>229,859</u>	<u>1,279</u>
New Albany Main Street:				
Other services and charges	44,000	44,000	44,000	-
	<u>44,000</u>	<u>44,000</u>	<u>44,000</u>	<u>-</u>

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The accompanying notes to the required supplementary information are an integral part of this schedule.

**CITY OF NEW ALBANY, MISSISSIPPI**  
**Budgetary Comparison Schedule - Tourism Fund (Continued)**  
**For the Year Ended September 30, 2015**

	<u>Budgeted Amounts</u>		<b>Actual Amounts Budgetary Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures - Continued:</b>				
Miscellaneous:				
Other services and charges	79,640	84,982	84,902	80
Capital outlay	<u>100,000</u>	<u>109,286</u>	<u>104,643</u>	<u>4,643</u>
	<u>179,640</u>	<u>194,268</u>	<u>189,545</u>	<u>4,723</u>
Debt service	<u>5,684</u>	<u>5,694</u>	<u>5,694</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in (out)	-	-	-	-
Loan proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	11,599	23,213	<u>\$ 11,614</u>
Fund balance - beginning of year	<u>176,006</u>	<u>133,134</u>	<u>143,579</u>	
Fund balance - end of year	<u>\$ 176,006</u>	<u>\$ 144,733</u>	<u>\$ 166,792</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budgetary basis			23,213	
Revenue and expense accruals, net			<u>23,326</u>	
Modified accrual basis			<u>\$ 46,539</u>	

The accompanying notes to the required supplementary information are an integral part of this schedule.

**CITY OF NEW ALBANY, MISSISSIPPI**

**Schedule of Required Supplementary Information - Pension**

**September 30, 2015**

**Last 2 Fiscal Years\***

**Schedule of the City's Proportionate Share of the Net Pension Liability**

	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.1039%	0.1001%
City's proportionate share of the net pension liability	\$ 14,925,261	\$ 12,721,932
City's covered-employee payroll	\$ 6,490,518	\$ 6,179,214
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	229.9549%	205.8827%
Plan fiduciary net position as a percentage of the total pension liability	61.7040%	67.2077%

\* - The amounts presented for each fiscal year were determined as of 6/30

**Schedule of City Contributions - PERS**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,022,257	\$ 973,226
Contributions in relation to contractually required contribution	<u>(1,022,257)</u>	<u>(973,226)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
System's covered-employee payroll	\$ 6,490,518	\$ 6,179,214
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

The accompanying notes to required supplementary information are an integral part of this schedule.

## CITY OF NEW ALBANY, MISSISSIPPI

### Notes to the Required Supplementary Information September 30, 2015

#### NOTE 1. BUDGETARY COMPARISON SCHEDULE

Budgets are adopted on a modified cash basis. Annual appropriated budgets are adopted for the general fund, except for the ongoing grant programs, and the tourism fund. All annual appropriations lapse at fiscal year end. The budget can and has been amended by appropriate action of the Board of Aldermen.

#### NOTE 2. PENSION LIABILITY AND CONTRIBUTIONS

##### Changes in benefit terms

None identified during periods presented in the required supplementary information

##### Changes in assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-200 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015 assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

##### Changes in size or composition of the population covered by the benefit terms

None identified during periods presented in the required supplementary information

## **Combining Fund Statements**

**CITY OF NEW ALBANY, MISSISSIPPI**  
**Combining Balance Sheets - All General Funds**

September 30, 2015

	General Fund	Clearing Accounts	CDBG Grants	Water & Sewer Improvement Fund	Street Improvement Fund	HUD Programs	Health Reimbursement Account	Total General Funds
<b>ASSETS</b>								
Cash	\$ 567,439	\$ 37,617	\$ 50,097	\$ 456,858	\$ 705,364	\$ 60	\$ 2,314	\$ 1,819,749
Investments	1,245,690	-	-	639,596	-	-	-	1,885,286
Accounts receivable	580,227	264	832	788	-	-	-	582,111
	<u>\$ 2,393,356</u>	<u>\$ 37,881</u>	<u>\$ 50,929</u>	<u>\$ 1,097,242</u>	<u>\$ 705,364</u>	<u>\$ 60</u>	<u>\$ 2,314</u>	<u>\$ 4,287,146</u>
<b>LIABILITIES</b>								
Accounts payable and accrued expenses	\$ 423,569	\$ 38,037	\$ -	\$ -	\$ 33,921	\$ -	\$ -	\$ 495,527
Due to other funds	99,433	-	-	-	-	-	-	99,433
	<u>523,002</u>	<u>38,037</u>	<u>-</u>	<u>-</u>	<u>33,921</u>	<u>-</u>	<u>-</u>	<u>594,960</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Advance payments received	82,150	-	-	-	-	-	-	82,150
<b>FUND BALANCES</b>								
Restricted	-	-	-	-	-	-	-	-
Committed	500,000	-	-	-	-	-	-	500,000
Assigned	-	-	50,929	1,097,242	671,443	60	2,314	1,821,988
Unassigned	1,288,204	(156)	-	-	-	-	-	1,288,048
	<u>1,788,204</u>	<u>(156)</u>	<u>50,929</u>	<u>1,097,242</u>	<u>671,443</u>	<u>60</u>	<u>2,314</u>	<u>3,610,036</u>
	<u>\$ 2,393,356</u>	<u>\$ 37,881</u>	<u>\$ 50,929</u>	<u>\$ 1,097,242</u>	<u>\$ 705,364</u>	<u>\$ 60</u>	<u>\$ 2,314</u>	<u>\$ 4,287,146</u>

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**CITY OF NEW ALBANY, MISSISSIPPI**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - All General Funds**

**For the Year Ended September 30, 2015**

	General Fund	Clearing Accounts	CDBG Grants	Water & Sewer Improvement Fund	Street Improvement Fund	HUD Programs	Health Reimbursement Account	Total General Funds
<b>Revenues:</b>								
Taxes	\$ 1,138,663	\$ -	\$ -	\$ -	\$ 184,343	\$ -	\$ -	\$ 1,323,006
Licenses and permits	104,164	-	-	-	-	-	-	104,164
Intergovernmental revenue	3,744,501	-	-	-	11,095	-	-	3,755,596
Charges for services	153,185	-	-	-	-	-	-	153,185
Fines and forfeitures	295,202	-	-	-	-	-	-	295,202
Investment earnings	3,791	-	25	1,826	1,280	-	2	6,924
Miscellaneous	64,455	-	-	-	-	-	-	64,455
Total Revenues	5,503,961	-	25	1,826	196,718	-	2	5,702,532
<b>Expenditures:</b>								
General government	1,354,693	-	-	-	3,099	-	20,668	1,378,460
Public safety	3,011,943	-	-	-	-	-	-	3,011,943
Public works	690,267	-	-	-	-	-	-	690,267
Culture and recreation	739,954	-	-	-	-	-	-	739,954
Debt service:								
Principal	8	-	-	-	-	-	-	8
Interest and other charges	(8)	-	-	-	-	-	-	(8)
Capital outlay	380,674	-	-	-	329,150	-	-	709,824
Total Expenditures	6,177,531	-	-	-	332,249	-	20,668	6,530,448
Excess (Deficiency) of Revenues over Expenditures	(673,570)	-	25	1,826	(135,531)	-	(20,666)	(827,916)
<b>Other Financing Sources (Uses):</b>								
Transfers in	765,000	-	-	-	-	-	20,000	785,000
Transfers out	(111,837)	-	-	-	4,950	-	-	(106,887)
Total Other Financing Sources (Uses)	653,163	-	-	-	4,950	-	20,000	678,113
<b>Special Item:</b>								
Proceeds from the disposal of capital assets	39,054	-	-	-	-	-	-	39,054
Net Change in Fund Balances	18,647	-	25	1,826	(130,581)	-	(666)	(110,749)
Fund balances - beginning	1,769,557	(156)	50,904	1,095,416	802,024	60	2,980	3,720,785
Fund balances - ending	\$ 1,788,204	\$ (156)	\$ 50,929	\$ 1,097,242	\$ 671,443	\$ 60	\$ 2,314	\$ 3,610,036

**CITY OF NEW ALBANY, MISSISSIPPI**

**Combining Balance Sheets - Nonmajor Governmental Funds**

**September 30, 2015**

	Special Revenue											Total Special Revenue Funds
	New Albany/ Union County		Keep		New Albany/ Union County		Tallahatchie River Players		Freedom Celebration 2007		CAP Loans	
	Fire Protection	Drug Task Force	COPS	Local Records Management	Dare Program	Law Enforcement	Dare Program	Law Enforcement	Tallahatchie River Players	Freedom Celebration 2007	CAP Loans	
Cash	\$ 670,490	\$ 53,926	\$ 12	\$ 6,907	\$ 1,790	\$ 1,811	\$ 31	\$ 13,927	\$ 4,480	\$ 13,927	\$ 13,927	\$ 757,931
Accounts receivable	-	379	-	-	-	-	-	-	-	-	-	379
Lease receivable	-	-	-	-	-	-	-	-	-	-	333,813	333,813
	<u>\$ 670,490</u>	<u>\$ 54,305</u>	<u>\$ 12</u>	<u>\$ 6,907</u>	<u>\$ 1,790</u>	<u>\$ 1,811</u>	<u>\$ 31</u>	<u>\$ 13,927</u>	<u>\$ 4,480</u>	<u>\$ 13,927</u>	<u>\$ 347,740</u>	<u>\$ 1,092,123</u>
	\$ 627	\$ 2,101	\$ -	\$ -	\$ 139	\$ -	\$ -	\$ 500	\$ 2,608	\$ 958	\$ -	\$ 6,933
<b>LIABILITIES</b>												
Accounts payable and accrued expenses												
<b>DEFERRED INFLOWS OF RESOURCES</b>												
Lease principal	-	-	-	-	-	-	-	-	-	-	285,330	285,330
Lease interest	-	-	-	-	-	-	-	-	-	-	48,189	48,189
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 333,519</u>	<u>\$ 333,519</u>
<b>FUND BALANCE</b>												
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-	-	-	-	-	-	-	-	-
Assigned	669,863	52,204	12	6,907	1,651	1,811	31	4,057	1,872	13,263	13,263	751,671
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 669,863</u>	<u>\$ 52,204</u>	<u>\$ 12</u>	<u>\$ 6,907</u>	<u>\$ 1,651</u>	<u>\$ 1,811</u>	<u>\$ 31</u>	<u>\$ 4,057</u>	<u>\$ 1,872</u>	<u>\$ 13,263</u>	<u>\$ 13,263</u>	<u>\$ 751,671</u>
	\$ 670,490	\$ 54,305	\$ 12	\$ 6,907	\$ 1,790	\$ 1,811	\$ 31	\$ 4,557	\$ 4,480	\$ 347,740	\$ 1,092,123	

**CITY OF NEW ALBANY, MISSISSIPPI**  
**Combining Balance Sheets - Nonmajor Governmental Funds (Continued)**

**September 30, 2015**

Debt Service	Capital Projects										Total All Nonmajor Funds	
	Total Debt Service Funds	Park Along the River	Economic and Industrial Development Fund	Magnolia Civic Center	New Albany/ Union County Airport Grant	Sportsplex	Total Capital Project Funds					
ASSETS												
Cash	247	247	12,759	19,606	82,891	1,174	118,891				877,069	
Accounts receivable	286	-	50,056	-	1,613	-	51,669				52,334	
Lease receivable	-	-	-	-	-	-	-				333,813	
	533	2,461	62,815	19,606	84,504	1,174	170,560				1,263,216	
LIABILITIES												
Accounts payable and accrued expenses	-	-	72,305	5,557	81,443	-	159,305				166,238	
DEFERRED INFLOWS OF RESOURCES												
Lease principal	-	-	-	-	-	-	-				285,330	
Lease interest	-	-	-	-	-	-	-				48,189	
	-	-	-	-	-	-	-				333,519	
FUND BALANCE												
Restricted	-	-	5,383	-	-	-	5,383				5,383	
Committed	-	-	-	-	-	-	-				-	
Assigned	533	2,461	(14,873)	14,049	3,061	1,174	5,872				758,076	
Unassigned	-	-	-	-	-	-	-				-	
	533	2,461	(9,490)	14,049	3,061	1,174	11,255				763,459	
	533	2,461	62,815	19,606	84,504	1,174	170,560				1,263,216	

**CITY OF NEW ALBANY, MISSISSIPPI**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds**

**For the Year Ended September 30, 2015**

	Special Revenue											Total Special Revenue Funds
	New Albany/ Union County Drug Task Force	COPS	Local Records Management	New Albany/ Union County Beautiful	Dare Program	Law Enforcement	Tallahatchie River Players	Freedom Celebration 2007	CAP Loans	Keep		
<b>Revenues:</b>												
Taxes	\$ 77,675	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,675
Intergovernmental revenue	60,275	-	-	-	-	-	-	-	-	-	-	119,929
Charges for services	-	-	-	-	-	-	430	-	-	-	-	430
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	11,178
Investment earnings	316	-	4	(1)	1	-	1	(1)	10,596	-	-	10,931
Miscellaneous	-	-	298	-	-	-	17,004	50	-	-	-	17,352
<b>Total Revenues</b>	<b>138,266</b>	<b>-</b>	<b>302</b>	<b>(1)</b>	<b>1</b>	<b>-</b>	<b>17,435</b>	<b>49</b>	<b>-</b>	<b>10,596</b>	<b>-</b>	<b>237,495</b>
<b>Expenditures:</b>												
General government	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	10,752	-	-	-	-	-	-	-	-	-	-	41,064
Culture and recreation	-	-	-	516	-	-	13,208	299	-	-	-	14,023
Debt service	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	24,059	-	24,059
Interest and other charges	-	-	-	-	-	-	-	-	-	11,950	-	11,950
Capital outlay	87,462	-	-	-	-	-	-	-	-	-	-	91,156
<b>Total Expenditures</b>	<b>98,214</b>	<b>-</b>	<b>-</b>	<b>516</b>	<b>-</b>	<b>-</b>	<b>13,208</b>	<b>299</b>	<b>-</b>	<b>36,009</b>	<b>-</b>	<b>182,252</b>
Excess (Deficiency) of Revenues over Expenditures	40,052	-	302	(517)	1	-	4,227	(250)	-	(25,413)	-	55,243
<b>Other Financing Sources (Uses):</b>												
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(2,622)	-	-	-	-	(2,622)
Lease principal payments	-	-	-	-	-	-	-	-	-	27,659	-	27,659
<b>Total Other Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,622)</b>	<b>-</b>	<b>-</b>	<b>27,659</b>	<b>-</b>	<b>25,037</b>
Net Change in Fund Balances	40,052	-	302	(517)	1	-	1,605	(250)	-	2,246	-	80,280
Fund balances - beginning	629,811	12	6,605	2,168	1,810	31	2,452	2,122	11,017	11,017	-	671,391
<b>Fund balances - ending</b>	<b>\$ 669,863</b>	<b>\$ 12</b>	<b>\$ 6,907</b>	<b>\$ 1,651</b>	<b>\$ 1,811</b>	<b>\$ 31</b>	<b>\$ 4,057</b>	<b>\$ 1,872</b>	<b>\$ 13,263</b>	<b>\$ 13,263</b>	<b>\$ 751,671</b>	

**CITY OF NEW ALBANY, MISSISSIPPI**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds (Continued)**

**For the Year Ended September 30, 2015**

	Capital Projects										Total All Nonmajor Funds
	Debt Service		Economic			New Albany/ Union County			Total Capital Project Funds		
	Industrial Park	Total Debt Service Funds	Park Along the River	Development Fund	Magnolia Civic Center	Union County Airport Grant	Sportsplex				
<b>Revenues:</b>											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,675
Intergovernmental revenue	-	-	-	152,073	-	923,848	-	1,075,921	-	1,195,850	-
Charges for services	-	-	-	-	810	-	-	810	-	1,240	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	11,178	-
Investment earnings	-	-	1	-	10	50	1	62	-	10,993	-
Miscellaneous	-	-	-	-	154	-	-	154	-	17,506	-
<b>Total Revenues</b>	-	-	1	152,073	974	923,898	1	1,076,947	-	1,314,442	-
<b>Expenditures:</b>											
General government	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	41,064	-
Culture and recreation	-	-	-	-	14,974	-	-	14,974	-	28,997	-
Principal	-	-	-	-	-	-	-	-	-	24,059	-
Interest and other charges	-	-	-	-	-	-	-	-	-	11,950	-
Capital outlay	-	-	-	215,455	12,725	943,287	-	1,171,467	-	1,262,623	-
<b>Total Expenditures</b>	-	-	-	215,455	27,699	943,287	-	1,186,441	-	1,368,693	-
Excess (Deficiency) of Revenues over Expenditures	-	-	1	(63,382)	(26,725)	(19,389)	1	(109,494)	-	(54,251)	-
<b>Other Financing Sources (Uses):</b>											
Transfers in	-	-	-	48,509	32,622	27,698	-	108,829	-	108,829	-
Transfers out	-	-	-	-	-	-	-	-	-	(2,622)	-
Lease principal payments	-	-	-	-	-	-	-	-	-	27,659	-
<b>Total Other Sources (Uses)</b>	-	-	-	48,509	32,622	27,698	-	108,829	-	133,866	-
<b>Net Change in Fund Balances</b>	-	-	1	(14,873)	5,897	8,309	1	(665)	-	79,615	-
Fund balances - beginning	533	533	2,460	5,383	8,152	(5,248)	1,173	11,920	-	683,844	-
<b>Fund balances - ending</b>	\$ 533	\$ 533	\$ 2,461	\$ (9,490)	\$ 14,049	\$ 3,061	\$ 1,174	\$ 11,255	\$ -	\$ 763,459	\$ -

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**CITY OF NEW ALBANY, MISSISSIPPI**

**Combining Statement of Fund Net Position - Nonmajor Proprietary Funds**

**September 30, 2015**

	<u>Waste Disposal</u>	<u>New Albany/ Union County Airport</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 672,622	\$ 32,244	\$ 704,866
Accounts receivable	<u>57,877</u>	<u>500</u>	<u>58,377</u>
Total current assets	<u>730,499</u>	<u>32,744</u>	<u>763,243</u>
<b>Noncurrent Assets</b>			
Capital assets:			
Machinery and equipment	887,370	31,991	919,361
Less: accumulated depreciation	<u>(882,064)</u>	<u>(14,003)</u>	<u>(896,067)</u>
Total non-current assets	<u>5,306</u>	<u>17,988</u>	<u>23,294</u>
<b>DEFERRED OUTFLOWS</b>			
Pension plan	<u>164,755</u>	<u>-</u>	<u>164,755</u>
Total assets and Deferred Outflows	<u>900,560</u>	<u>50,732</u>	<u>951,292</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	<u>43,305</u>	<u>1,568</u>	<u>44,873</u>
Total current liabilities	<u>43,305</u>	<u>1,568</u>	<u>44,873</u>
<b>Noncurrent liabilities</b>			
Pension liability	<u>644,495</u>	<u>-</u>	<u>644,495</u>
Total noncurrent liabilities	<u>644,495</u>	<u>-</u>	<u>644,495</u>
<b>DEFERRED INFLOWS</b>			
Pension plan	<u>17,310</u>	<u>-</u>	<u>17,310</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	5,306	17,988	23,294
Unrestricted	<u>190,144</u>	<u>31,176</u>	<u>221,320</u>
Total net position	<u>\$ 195,450</u>	<u>\$ 49,164</u>	<u>\$ 244,614</u>

**CITY OF NEW ALBANY, MISSISSIPPI**

**Combining Statement of Revenues, Expenses and Changes in Fund Net Position -  
Nonmajor Proprietary Funds**

**For the Year Ended September 30, 2015**

	<u>Waste Disposal</u>	<u>New Albany/ Union County Airport</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Operating revenues:</b>			
Charges for services	\$ 783,181	\$ 27,934	\$ 811,115
Total operating revenues	<u>783,181</u>	<u>27,934</u>	<u>811,115</u>
<b>Operating expenses:</b>			
Depreciation and amortization	3,747	2,140	5,887
Operation and maintenance	<u>791,851</u>	<u>47,927</u>	<u>839,778</u>
Total operating expenses	<u>795,598</u>	<u>50,067</u>	<u>845,665</u>
Operating income (loss)	<u>(12,417)</u>	<u>(22,133)</u>	<u>(34,550)</u>
<b>Non-operating revenues (expenses)</b>			
Interest income	841	13	854
Property taxes	56,286	-	56,286
Intergovernmental revenue	<u>3,434</u>	<u>10,668</u>	<u>14,102</u>
Total nonoperating revenues (expenses)	<u>60,561</u>	<u>10,681</u>	<u>71,242</u>
Income (loss) before operating transfers	48,144	(11,452)	36,692
Transfers in (out)	<u>-</u>	<u>10,680</u>	<u>10,680</u>
Change in net position	48,144	(772)	47,372
Net position, beginning - as previously stated	623,889	49,936	673,825
Cumulative effect of applying GASB 68	<u>(476,583)</u>	<u>-</u>	<u>(476,583)</u>
Net position, beginning - as restated	<u>147,306</u>	<u>49,936</u>	<u>197,242</u>
Net position, ending	<u>\$ 195,450</u>	<u>\$ 49,164</u>	<u>\$ 244,614</u>

**CITY OF NEW ALBANY, MISSISSIPPI**

**Combining Statement of Cash Flows - Nonmajor Proprietary Funds**

**For the Year Ended September 30, 2015**

	<u>Waste Disposal</u>	<u>New Albany/ Union County Airport</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 798,932	\$ 27,932	\$ 826,864
Cash payments to suppliers for goods and services	(413,734)	(38,945)	(452,679)
Cash payments to employees	<u>(368,336)</u>	<u>(9,000)</u>	<u>(377,336)</u>
Net cash provided by (used in) operating activities	<u>16,862</u>	<u>(20,013)</u>	<u>(3,151)</u>
<b>Cash flows from non-capital financing activities:</b>			
Operating transfers, net	<u>-</u>	<u>10,680</u>	<u>10,680</u>
Net cash provided by (used in) non-capital financing activities	<u>-</u>	<u>10,680</u>	<u>10,680</u>
<b>Cash flows from capital and related financing activities:</b>			
Taxes and intergovernmental revenues, net	<u>59,720</u>	<u>10,668</u>	<u>70,388</u>
Net cash provided by (used in) capital and related financing activities	<u>59,720</u>	<u>10,668</u>	<u>70,388</u>
<b>Cash flows from investing activities:</b>			
Interest on investments	<u>841</u>	<u>13</u>	<u>854</u>
Net change in cash	77,423	1,348	78,771
Cash and cash equivalents at beginning of year	<u>595,199</u>	<u>30,896</u>	<u>626,095</u>
Cash and cash equivalents at end of year	<u>\$ 672,622</u>	<u>\$ 32,244</u>	<u>\$ 704,866</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (12,417)	\$ (22,133)	\$ (34,550)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,747	2,140	5,887
Decrease (increase) in:			
Accounts receivable	12,004	-	12,004
Increase (decrease) in:			
Accounts payable and accrued expenses	(6,941)	(20)	(6,961)
Pension liability	167,914	-	167,914
Deferred inflows/outflows	<u>(147,445)</u>	<u>-</u>	<u>(147,445)</u>
Net cash provided by operating activities	<u>\$ 16,862</u>	<u>\$ (20,013)</u>	<u>\$ (3,151)</u>

**CITY OF NEW ALBANY, MISSISSIPPI**  
**Combining Statement of Fiduciary Net Position**  
**September 30, 2015**

	<b>Unemployment Tax</b>	<b>Flexible Spending</b>	<b>Total Fiduciary Funds</b>
<b>Assets</b>			
Cash	\$ 2,198	\$ 5,456	\$ 7,654
Accounts and interest receivable	-	-	-
Investments	15,120	-	15,120
Total Assets	\$ 17,318	\$ 5,456	\$ 22,774
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 17,318	\$ 5,456	\$ 22,774
Total Liabilities	\$ 17,318	\$ 5,456	\$ 22,774

**Other Supplemental Information**

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**CITY OF NEW ALBANY, MISSISSIPPI**

**Schedule of Surety Bonds for Municipal Officials**

September 30, 2015

<u>Insured</u>	<u>Position</u>	<u>Insurer</u>	<u>Bond</u>
Tim Kent	Mayor	Brierfield Insurance	\$ 25,000
Frankie Roberts	City Clerk	Brierfield Insurance	\$ 50,000
Frankie Roberts	City Clerk	RLI Insurance Company	\$ 5,000
Maxine Bradley	Deputy Clcrk	Brierfield Insurance	\$ 50,000
Susan Roberts	Secretary	Brierfield Insurance	\$ 50,000
Susan Roberts	Secretary	RLI Insurance Company	\$ 5,000
Tiffany Gates	Deputy Clerk	Brierfield Insurance	\$ 50,000
Tiffany Gates	Deputy Clerk	Brierfield Insurance	\$ 5,000
Amanda Chism	Court Clerk	EMC Insurance	\$ 50,000
Amanda Sheffield	Deputy Court Clerk	Brierfield Insurance	\$ 50,000
Megan Allred	Parks Dept.	Brierfield Insurance	\$ 50,000
Johnny Epting	Parks Dept.	Brierfield Insurance	\$ 50,000
Dean M. Armstrong	Building Inspector	RLI Insurance Company	\$ 50,000
Eric Thomas	Building Inspector/Zone Admin.	RLI Insurance Company	\$ 50,000
Chris Robertson	Chief of Police	RLI Insurance Company	\$ 50,000
Brent Baker	Policeman	RLI Insurance Company	\$ 50,000
Mark Cossitt	Policeman	Brierfield Insurance	\$ 25,000
Jeff Chism	Policeman	RLI Insurance Company	\$ 50,000
Suart Dodds	Policeman	Brierfield Insurance	\$ 50,000
Phillip Doyle	Policeman	RLI Insurance Company	\$ 50,000
Michael Erby	Policeman	RLI Insurance Company	\$ 50,000
Tim Erby	Policeman	RLI Insurance Company	\$ 50,000
Ronnie Goudy	Policeman	RLI Insurance Company	\$ 50,000
Chris Glasson	Policeman	RLI Insurance Company	\$ 50,000
Chadrick Glasson	Policeman	RLI Insurance Company	\$ 50,000
Justin Gregory	Policeman	RLI Insurance Company	\$ 50,000
Chad Jarvis	Policeman	Brierfield Insurance	\$ 50,000
Kevin Johnson	Policeman	Brierfield Insurance	\$ 50,000
Joe Keaton	Policeman	Brierfield Insurance	\$ 50,000
Clayton Kenner	Policeman	RLI Insurance Company	\$ 50,000
William A. Kidd	Policeman	RLI Insurance Company	\$ 50,000
Jason McDaniel	Policeman	RLI Insurance Company	\$ 50,000
Joe McDonald	Policeman	RLI Insurance Company	\$ 50,000
Stephen Nolen	Policeman	RLI Insurance Company	\$ 50,000
Michael Pannell	Policeman	RLI Insurance Company	\$ 50,000
David Robertson	Policeman	RLI Insurance Company	\$ 50,000
Donald Voyles	Policeman	RLI Insurance Company	\$ 50,000
Brock White	Policeman	RLI Insurance Company	\$ 50,000
Jimmy Whitten	Policeman	RLI Insurance Company	\$ 50,000
James Wildman	Policeman	RLI Insurance Company	\$ 50,000
Gabriel Wilson	Policeman	Brierfield Insurance	\$ 50,000
Roland Yarbrough	Policeman	Brierfield Insurance	\$ 50,000
Louis R. Zemek	Policeman	RLI Insurance Company	\$ 50,000
Sherry Ausburn	Utility Department	Brierfield Insurance	\$ 50,000
Sherry Ausburn	Utility Department	Brierfield Insurance	\$ 5,000
LaTonya Ball	Utility Department	RLI Insurance Company	\$ 50,000
Danny Barnes	Utility Department	RLI Insurance Company	\$ 50,000
Regina Beaty	Utility Department	RLI Insurance Company	\$ 50,000
Mary Carroll	Utility Department	RLI Insurance Company	\$ 50,000
Christy Davis	Utility Department	RLI Insurance Company	\$ 50,000
Susie Foster	Utility Department	RLI Insurance Company	\$ 50,000
Janet Freeman	Utility Department	RLI Insurance Company	\$ 50,000
Doris Malone	Utility Department	Brierfield Insurance	\$ 50,000
Donnie Milam	Utility Department	Brierfield Insurance	\$ 50,000
Rickey Roberson	Utility Department	Brierfield Insurance	\$ 50,000
Jeffrey Staggs	Utility Department	RLI Insurance Company	\$ 50,000
Lawanda Treadaway	Utility Department	Brierfield Insurance	\$ 50,000
Donna Teague	Utility Department	Brierfield Insurance	\$ 50,000
Betty Williams	Utility Department	Brierfield Insurance	\$ 50,000

**CITY OF NEW ALBANY, MISSISSIPPI**

**Schedule of Expenditures of Federal Awards**

**For the year ended September 30, 2015**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>Federal Grantor: U.S. Department of Transportation</b>		
Pass-through Grantor: Federal Aviation Administration through Mississippi Department of Transportation		
Program Title: Airport Improvement Program		
Rehabilitate runway, taxiway and acquire land for for protection zones and approaches		
Grant ID: 3-28-0053-016-2014	20.106	815,536
Update Airport Master Plan		
Grant ID: 3-28-0053-014-2012	20.106	32,503
Remove obstructions in runway transitional surfaces		
Grant ID: 3-28-0053-015-2013	20.106	920
Pass-through Grantor: Federal Highway Administration through Mississippi Department of Transportation		
Program Title: Highway Planning and Construction		
New Albany Trails		
Grant ID: STP-0350-00(013)	20.205	152,073
LPA/106411-701000		
Pass-through Grantor: Mississippi Department of Public Safety		
Program Title: Alcohol Open Container Requirements		
154-AL Impaired Driving FY 2015		
Grant ID: 14-ST-224-1	20.607	39,758
Program Title: State and Community Highway Safety		
402-Occupant Protection FY 2015		
Grant ID: 14-OP-224-1	20.600	15,680
Program Title: National Priority Safety Programs		
405D-Impaired Driving Enforcement FY 2015		
Grant ID: 15-MD-224-1	20.616	<u>17,032</u>
<i>Total U.S. Department of Transportation</i>		<u>\$ 1,073,502</u>

The accompanying notes are an integral part of this schedule.

**CITY OF NEW ALBANY, MISSISSIPPI**

**Schedule of Expenditures of Federal Awards - Continued**

**For the year ended September 30, 2015**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>Federal Grantor: U.S. Department of Agriculture</b>		
Program Title: Water and Waste Disposal Systems for Rural Communities		
Grant ID: Case # 28-73-646000896 Grant #14	10.760	\$ <u>968,181</u>
<i>Total U.S. Department of Agriculture</i>		<u>968,181</u>
Total expenditures of federal awards		\$ <u>2,041,683</u>

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The accompanying notes are an integral part of this schedule.

Notes to Schedule of Expenditures of Federal Awards

**CITY OF NEW ALBANY, MISSISSIPPI**

For the year ended September 30, 2015

**NOTE A. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the System and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C. FEDERAL LOANS OUTSTANDING**

At September 30, 2015, federal loans outstanding amounted to \$ 1,705,314.

Schedule of Findings and Questioned Costs

CITY OF NEW ALBANY, MISSISSIPPI

For the year ended September 30, 2015

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	Yes
Noncompliance material to the financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	No
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 Circular A-133?	No
Identification of major programs:	

**CFDA**

<u>Number</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal systems for Rural Communities
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as a low risk auditee?	No

Section II-Financial Statement Findings

<u>Finding Reference Number</u>	<u>Material Weaknesses in Internal Control and Related Recommendations</u>
---------------------------------	--

None noted

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Schedule of Findings and Questioned Costs

Section II-Financial Statement Findings (continued)

<b>Finding Reference Number</b>	<b><u>Significant Deficiencies in Internal Control and Related Recommendations</u></b>
2015-001	<p><b>Condition:</b> One individual is often responsible for recording transactions in the financial records of the Organization and reconciling account balances.</p> <p><b>Criteria:</b> Proper internal controls dictate that there should be a separation of duties between the authorization, recording, reconciling and reporting of transactions.</p> <p><b>Cause:</b> Limited number of available administrative staff.</p> <p><b>Effect:</b> An improper separation of duties between authorization, recording, reconciling and report of transactions.</p> <p><b>Recommendation:</b> To the extent practicable, account balances should be reconciled by personnel independent of the recording of the underlying transactions.</p> <p><b>Management's Response:</b> Due to cost-benefit considerations and the perception that mitigating controls exist with respect to the identified finding, management does not anticipate pursuing further corrective action.</p>
2015-002	<p><b>Condition:</b> The Parks department does not utilize pre-numbered receipt books that are routinely reconciled to amounts reported to and submitted to City Hall for deposit.</p> <p><b>Criteria:</b> Proper internal controls dictate the use of pre-numbered receipts that are reconcilable to amounts reported to and deposited by City Hall.</p> <p><b>Cause:</b> Autonomy off Parks and Recreation Department administrative personnel.</p> <p><b>Effect:</b> Inability to effectively demonstrate that all amounts collected by the Parks department were ultimately deposited by City Hall.</p> <p><b>Recommendation:</b> Pre-numbered receipts should be utilized to document all receipts and should be subsequently reconciled to amounts reported to and transferred to City Hall.</p> <p><b>Management's Response:</b> Management will review procedures related to the receipt and accounting for funds collected by the Parks and Recreation Department and strengthen internal controls.</p>

Schedule of Findings and Questioned Costs

Section II-Financial Statement Findings (continued)

<b>Finding Reference Number</b>	<b><u>Noncompliance and Related Recommendations</u></b>
2015-003	<p><b>Condition:</b> Recordkeeping for capital outlays does not appear to be consistent with requirements established by Mississippi regulations.</p> <p><b>Criteria:</b> Internal records capital asset records should include assets as required by the Municipal Fixed Asset Management Manual.</p> <p><b>Cause:</b> Capital outlays are sometimes not charged to the capital outlay general ledger accounts increasing the likelihood that an otherwise eligible fixed asset is erroneously excluded from internal records.</p> <p><b>Effect:</b> An increased risk of an incomplete fixed asset inventory listing.</p> <p><b>Recommendation:</b> Fixed assets required to be added to internal fixed asset inventory records should be charged to capital outlays and the capital outlay general ledger accounts should be reconciled to the fixed asset inventory records in conjunction with the annual inventory otherwise required by the Mississippi Code.</p> <p><b>Management's Response:</b> Management will evaluate procedures and implement corrective actions as the evaluation indicates.</p>
2015-004	<p><b>Condition:</b> The utility departments are not paying interest on customer deposits in accordance with Rule 9 of the Mississippi Public Service Commission's "Rules and Regulations Governing Public Utility Service".</p> <p><b>Criteria:</b> The referenced rule requires the payment of interest on customer deposits at rates prescribed by the Mississippi Public Service Commission.</p> <p><b>Cause:</b> The utilities assumed they were exempt from the requirements as a municipality owned utility, however since the System serves customers over one mile outside of the city limit, it appears the regulations apply to the System.</p> <p><b>Effect:</b> Noncompliance with a regulatory provision to which the utilities are subject.</p> <p><b>Recommendation:</b> Begin paying interest on customer deposits consistent with the applicable regulations</p> <p><b>Management's Response:</b> Management will contact Central Service Association to determine the proper course for corrective action with the software vendor.</p>

Schedule of Findings and Questioned Costs

Section III-Federal Award Findings and Questioned Costs

**Finding  
Reference  
Number**

**Compliance Findings Noted and Related Recommendations**

None noted



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**Independent Auditors' Report on Compliance With State Laws and Regulations**

To the Board of Aldermen  
City of New Albany  
New Albany, Mississippi

We have audited the basic financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of New Albany, Mississippi, as of and for the year ended September 30, 2015 and have issued our report thereon dated March 14, 2016. We have 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.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Nail McKinney P.A.*

Tupelo, Mississippi  
March 14, 2016



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**Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial  
Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Aldermen  
City of New Albany  
New Albany, Mississippi

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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of New Albany, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 14, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of New Albany, Mississippi's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of New Albany, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in finding reference number 2015-001 and 2015-002 in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of New Albany, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on

the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-003 and 2015-004.

City of New Albany's Response to Findings

City of New Albany, Mississippi management's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of New Albany, Mississippi management's response was not subjected to the auditing procedures applied in the audit of the financial statements 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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Nail McKinney P.A.*

Tupelo, Mississippi  
March 14, 2016



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**Independent Auditors' Report on Compliance for each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133**

To the Board of Aldermen  
City of New Albany  
New Albany, Mississippi

**Report on Compliance for Each Major Federal Program**

We have audited the City of New Albany, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2015. 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, regulation, contracts, and grants applicable to its federal programs.

**Auditors' 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 September 30, 2015.

**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 our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test

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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.

*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 a 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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.

*Nail McKinney P.A.*

Tupelo, Mississippi  
March 14, 2016