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

September 30, 2010

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# CITY OF NEW ALBANY, MISSISSIPPI

## Financial Statements

For the Year Ended September 30, 2010

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## Independent Auditors' Report

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

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of New Albany, Mississippi's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Albany, Mississippi, as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.


In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2011, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 5 through 14 and 43 through 48 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.

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 other supplemental information referred to in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 of City of New Albany, Mississippi. The combining and individual nonmajor fund financial statements 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 financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other supplemental information referred to in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In connection with our examination, nothing came to our attention that caused us to believe that the City of New Albany, Mississippi, is not in compliance with the requirements of the State Department of Audit, as set forth in the municipal compliance questionnaire.



February 8, 2011

**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, 2010. 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, 2010 by \$49,278,560 (Net assets). The majority of the City's net assets are invested in capital assets or unrestricted net assets 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 \$246,098 is restricted for specific purposes. Unrestricted net assets increased by \$218,014, restricted net assets increased by \$17,037, and invested in capital assets increased by \$1,081,582.
- As of the close of the current fiscal year, the City of New Albany's proprietary funds reported combined ending net assets of \$36,150,120. 72.4% of this total amount or \$26,177,562 is invested in capital assets, 26.9% or \$9,726,992 is unrestricted, and the remainder of .7% or \$245,566 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 \$4,088,229. The unreserved part of the fund balance, which is available for use within the City's designation and policies, is \$4,087,697 and the reserved part is only \$532.
- At the end of the fiscal year, unreserved fund balance for the general fund was \$3,528,254.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and notes to the financial statements. The Statement of Net Assets and the Statement of Activities (on pages 16-17) 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 18. 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.

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

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

Our analysis of the City as a whole begins on page 16. 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 Assets 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-

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

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 assets and changes in them. You can think of the City's net assets—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 assets 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 Assets 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 18. The fund financial statements begin on page 18 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 Net Assets and the 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 Assets 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.

# CITY OF NEW ALBANY, MISSISSIPPI

- \* **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 Assets.

**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 26-41 of this report.

## GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets and net assets 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 \$49,278,560 as of September 30, 2010.

The largest portion of the City's net assets (72%) 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'S NET ASSETS

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 4,743,208	\$ 5,137,777	\$ 16,348,906	\$ 15,091,240	\$ 21,092,114	\$ 20,229,017
Capital Assets	9,818,045	9,407,085	34,758,201	35,790,729	44,576,246	45,197,814
Total Assets	\$ 14,561,253	\$ 14,544,862	\$ 51,107,107	\$ 50,881,969	\$ 65,668,360	\$ 65,426,831
Long-term Liabilities	\$ 705,859	\$ 835,329	\$ 8,266,500	\$ 9,977,892	\$ 8,972,359	\$ 10,813,221
Other Liabilities	726,954	652,246	6,690,487	5,999,437	7,417,441	6,651,683
Total Liabilities	\$ 1,432,813	\$ 1,487,575	\$ 14,956,987	\$ 15,977,329	\$ 16,389,800	\$ 17,464,904
Net Assets:						
Invested in capital assets, net of related debt	\$ 9,168,575	\$ 8,656,224	\$ 26,177,562	\$ 25,608,331	\$ 35,346,137	\$ 34,264,555
Restricted	532	532	245,566	228,529	246,098	229,061
Unrestricted	3,959,333	4,400,531	9,726,992	9,067,780	13,686,325	13,468,311
Total Net Assets	\$ 13,128,440	\$ 13,057,287	\$ 36,150,120	\$ 34,904,640	\$ 49,278,560	\$ 47,961,927

An additional portion of the City's net assets (.50%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$13,686,325 may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2010, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

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

**Analysis of the City's Operations** – Overall the City had an increase in net assets of \$1,316,633.

**Governmental Activities:** Governmental activities increased the net assets by \$71,153 or 5.4% of the total growth in net assets. Net assets invested in capital assets, net of related debt increased by \$512,351 primarily due to increased construction in progress and purchases of machinery and equipment. Unrestricted net assets decreased by \$441,198. Restricted net assets remained the same.

Total revenues for governmental activities decreased from the previous year by \$1,606,813. General revenues had a net decrease of .7%. Program revenues had a 49% net decrease, which was primarily due to the following factors:

- Capital Grants and Contributions decreased \$1,623,321 primarily due to the Vuteq plant project in the prior year.

Total expenses for governmental activities decreased \$7,811 or .1%. This decrease was primarily related to increases in General Government with decreases in Public Safety, Public Works and Culture and Recreation.

- General Government expenses increased \$80,509 or 4.6%. Increased costs in General Government include improvements in the Economic and Industrial Development and Airport Grant capital projects.
- General spending moratorium was in place to try to control costs.

**Business-type Activities:** Net Assets from business-type activities increased \$1,245,480 or 3.6% from \$34,904,640 to \$36,150,120 accounting for the other 94.6% of the total growth in net assets. Net assets invested in capital assets, net of related debt increased by \$569,231 primarily due to continuous construction projects and the purchase of machinery and equipment.

Total revenues for business-type activities decreased \$1,941,122 or 5.5%. This decrease was primarily due to a decrease of \$739,167 in the Gas Department charges for services and a decrease of \$1,343,359 in the Electric Department charges for services.

Total expenses for the business-type activities decreased \$1,473,218 or 4.4%. This decrease was primarily due to a decrease of \$129,466 in the Water and Sewer Department, a decrease of \$607,469 in the Gas Department and a decrease of \$727,694 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.

# CITY OF NEW ALBANY, MISSISSIPPI

The following table provides a summary of the City's Operations for the year-end September 30, 2010 with comparative totals for year ended September 30, 2009.

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

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 501,919	\$ 529,891	\$ 34,013,278	\$ 36,113,557	\$ 34,515,197	\$ 36,643,448
Operating grants and contributions	608,748	530,797	14,361	40,229	623,109	571,026
Capital grants and contributions	519,907	2,143,228	30,670	9,170	550,577	2,152,398
General Revenues:					-	-
Property Taxes	873,496	873,562	62,260	58,459	935,756	932,021
Sales Tax	2,504,510	2,349,943	-	-	2,504,510	2,349,943
Special City Sales Tax	553,284	521,269	-	-	553,284	521,269
Franchise Taxes	47,644	56,354	-	-	47,644	56,354
Investment Earnings	52,027	106,795	83,614	98,599	135,641	205,394
Special Item-Gain(Loss) on Sale/Disposal of assets	1,727	(16,473)	-	350	1,727	(16,123)
Transfers	777,601	952,310	(777,601)	(952,310)	-	-
Total Revenues	\$ 6,440,863	\$ 8,047,676	\$ 33,426,582	\$ 35,368,054	\$ 39,867,445	\$43,415,730
Expenses:						
General Government	\$ 1,845,996	\$ 1,765,487	\$ -	\$ -	\$ 1,845,996	\$ 1,765,487
Depreciation expense not included in other functions	41,191	31,116	-	-	41,191	31,116
Public Safety	2,712,580	2,741,571	-	-	2,712,580	2,741,571
Public Works	831,626	873,411	-	-	831,626	873,411
Culture and Recreation	899,584	934,178	-	-	899,584	934,178
Interest on long-term debt	38,733	31,758	-	-	38,733	31,758
Water and Sewer	-	-	2,032,868	2,162,334	2,032,868	2,162,334
Gas	-	-	5,160,983	5,768,452	5,160,983	5,768,452
Electric	-	-	24,201,561	24,929,255	24,201,561	24,929,255
Waste Disposal	-	-	745,853	759,178	745,853	759,178
NA/UC Airport	-	-	39,837	35,101	39,837	35,101
Total expenses	\$ 6,369,710	\$ 6,377,521	\$ 32,181,102	\$ 33,654,320	\$ 38,550,812	\$ 40,031,841
Increase (Decrease) in net net assets before transfers	\$ 71,153	\$ 1,670,155	\$ 1,245,480	\$ 1,713,734	\$ 1,316,633	\$ 3,383,889
Transfers					-	-
Increase in net assets	\$ 71,153	\$ 1,670,155	\$ 1,245,480	\$ 1,713,734	\$ 1,316,633	\$ 3,383,889
Net assets-October 1	13,057,287	11,387,132	34,904,640	33,190,906	47,961,927	44,578,038
Prior Period Adjustments	-	-	-	-	-	-
Net Assets-September 30	\$ 13,128,440	\$ 13,057,287	\$ 36,150,120	\$ 34,904,640	\$ 49,278,560	\$ 47,961,927

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

## **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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending in the next fiscal year.

At the end of the current fiscal year, the City of New Albany's governmental funds reported combined ending fund balances of \$4,088,229. Approximately 99.9% of this total amount (\$4,087,697) constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay for debt service (\$532).

In the general fund, the City budgeted for a decrease in the fund balance on a budget basis of \$217,220. Due to actual revenues being less than budgeted, the actual fund balance decreased for fiscal year 2010 by \$236,972.

**General Fund Budgetary Highlights** – The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in an increase in revenues of \$19,587 and an increase in expenditures of \$207,807.

**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 assets of the respective enterprise funds are Water and Sewer - \$1,133,206, Gas System - \$2,666,266, Electric Department - \$5,619,668, Waste Disposal - \$285,733, and NA/UC Airport - \$22,119. The total of these unrestricted net assets is \$9,726,992. Changes in net assets for enterprise funds in 2010 were as follows: Water and Sewer – (\$288,034), Gas System - \$661,946, Electric Department - \$1,018,455, Waste Disposal – (\$155,392), and NA/UC Airport – \$8,505. The total change in unrestricted net assets was \$1,245,480.

## **CAPITAL ASSETS**

The City of New Albany's investment in capital assets for its governmental and business-type activities as of September 30, 2010, amounts to \$44,576,246 (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 1.7% (6.3% increase in governmental activities and .8% increase in business-type activities).

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

- The construction in progress and the improvements for the Vuteq plant project.
- The construction in progress on the Freedom Park at the Sportsplex.
- The airport continued the upgrade of its taxiways and hangers.
- The net additions to the distribution plant consisted of \$35,860 for water & sewer, \$38,217 for gas and the remainder of \$6,578,640 for the electric department.

# CITY OF NEW ALBANY, MISSISSIPPI

## GOVERNMENTAL FUND ACTIVITIES

Asset Classification	Balance 10/1/2009	Additions	Deletions	Balance 9/30/2010
<b>Capital Asset Values</b>				
Land	\$ 1,109,750	\$ -	\$ -	\$ 1,109,750
Construction in Progress	1,576,783	696,402	(11,500)	2,261,685
Timber Rights	10,000			10,000
Buildings	1,884,212	11,500		1,895,712
Improvements other than buildings	2,713,320			2,713,320
Machinery and Equipment	2,679,920	162,665	(71,055)	2,771,530
Road Network	2,035,299			2,035,299
Bridge Network	450,456			450,456
				-
<b>Total at Historical Cost</b>	<b>\$ 12,459,740</b>	<b>\$ 870,567</b>	<b>\$ (82,555)</b>	<b>\$ 13,247,752</b>
<b>Less: Capital Asset Accumulated Depreciation</b>				
Buildings	(492,929)	(42,325)		(535,254)
Improvements other than buildings	(371,879)	(124,802)		(496,681)
Machinery and Equipment	(1,465,479)	(198,983)	70,582	(1,593,880)
Road Network	(607,670)	(71,235)		(678,905)
Bridge Network	(114,699)	(10,288)		(124,987)
<b>Total Accumulated Depreciation</b>	<b>\$ (3,052,656)</b>	<b>\$ (447,633)</b>	<b>\$ 70,582</b>	<b>\$ (3,429,707)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 9,407,084</b>	<b>\$ 422,934</b>	<b>\$ (11,973)</b>	<b>\$ 9,818,045</b>

## BUSINESS-TYPE ACTIVITIES

Asset Classification	Balance 10/1/2009	Additions	Deletions	Balance 9/30/2010
<b>Capital Asset Values</b>				
Land	\$ 121,361	\$ 8,000		\$ 129,361
Construction in Progress	6,999,547		(6,227,223)	772,324
Distribution Plant	48,935,107	6,769,769	(117,052)	55,587,824
Machinery and Equipment	3,997,858	30,004		4,027,862
<b>Total at Historical Cost</b>	<b>\$ 60,053,873</b>	<b>\$ 6,807,773</b>	<b>\$ (6,344,275)</b>	<b>\$ 60,517,371</b>
<b>Less: Capital Asset Accumulated Depreciation</b>				
Distribution Plant	(21,263,213)	(1,470,514)	169,692	(22,564,035)
Machinery and Equipment	(2,999,931)	(195,204)		(3,195,135)
				-
<b>Total Accumulated Depreciation</b>	<b>\$ (24,263,144)</b>	<b>\$ (1,665,718)</b>	<b>\$ 169,692</b>	<b>\$ (25,759,170)</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 35,790,729</b>	<b>\$ 5,142,055</b>	<b>\$ (6,174,583)</b>	<b>\$ 34,758,201</b>

Additional information on the City of New Albany's capital assets can be found in note 5 on pages 33 and 34.

# 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 and notes payable of \$9,412,679. Of this amount, \$832,040 represents notes payable by governmental activities, \$4,346,629 represents bonds paid by water and sewer revenues, and \$4,234,010 represents notes payable by proprietary funds.

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

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Bonds Payable	\$ -	\$ -	\$ 4,346,629	\$ 4,448,232	\$ 4,346,629	\$ 4,448,232
Notes Payable	832,040	956,652	4,234,010	5,734,166	5,066,050	6,690,818
Totals	\$ 832,040	\$ 956,652	\$ 8,580,639	\$ 10,182,398	\$ 9,412,679	\$ 11,139,050

During the fiscal year, the City's total debt decreased by \$1,726,371 or 15%. The main reason for the decrease in debt is the Electric Department made a lump-sum principal payment of \$1,350,000 on the Wellspring mega-site bank note refinancing the resulting balance of \$4,306,175 into a new long-term obligation. Debt in the amount of \$6,032,546 matured during the year.

Additional information on the City of New Albany's long-term debt can be found in note 7 on pages 35-37 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 2011 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 2011 year.

The general fund budget for the year 2011 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 2011 general fund budget shows a decrease in the expenditures. The decrease in expenditures is due mainly to budgeted decreases in most departments' capital outlay expenditures. If these budgeted estimates are realized the City's budgeted general fund balance is expected to remain the same by the close of 2011.

The City of New Albany for the 2011 year is lining up several things for future growth in the city. The city approved a CAP loan for the Rails to Trails project. The airport is continuing with t-hanger construction. The first draw on the loan for the new Freedom Park Soccer/Tennis Complex at the Sportsplex was made in December 2010. At this time these are the only major projects that the City has planned.

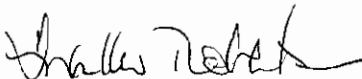
The Electric Department budget for the year 2011 shows an increase in cost of electricity having to be purchased. Electric, Water and Sewer and Gas Departments have budget increases in metered sales. As a result for the City's business-type activities, we expect that the 2011-year will improve at a larger rate than in 2010.

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

The Electric Department has accepted bids on material for installation of electrical services regarding the Toyota plant in Blue Springs. At this time there that is the only major project 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**

# CITY OF NEW ALBANY, MISSISSIPPI

## Statement of Net Assets

September 30, 2010

Assets	Governmental Activities	Business-type Activities	Total
Cash	\$ 1,847,096	\$ 7,681,482	\$ 9,528,578
Temporary cash investments	2,067,888	2,114,555	4,182,443
Accounts and interest receivable	606,018	5,116,032	5,722,050
Prepaid expenses	-	41,210	41,210
Materials and supplies	-	1,236,464	1,236,464
Capital assets:			
Land, improvements and construction in progress	3,381,434	901,685	4,283,119
Other capital assets, net of depreciation	6,436,611	33,856,516	40,293,127
Lease receivable	222,206	-	222,206
Other assets	-	140,007	140,007
Notes receivable	-	19,156	19,156
Total Assets	<u>14,561,253</u>	<u>51,107,107</u>	<u>65,668,360</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	542,739	4,697,848	5,240,587
Customer deposits	-	1,678,500	1,678,500
Unearned interest revenue	58,034	-	58,034
Noncurrent liabilities:			
Due within one year	126,181	314,139	440,320
Due in more than one year	<u>705,859</u>	<u>8,266,500</u>	<u>8,972,359</u>
Total Liabilities	<u>1,432,813</u>	<u>14,956,987</u>	<u>16,389,800</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	9,168,575	26,177,562	35,346,137
Restricted for:			
Debt service	532	245,566	246,098
Unrestricted	<u>3,959,333</u>	<u>9,726,992</u>	<u>13,686,325</u>
Total Net Assets	<u>\$ 13,128,440</u>	<u>\$ 36,150,120</u>	<u>\$ 49,278,560</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, 2010

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Operating		Capital	Governmental Activities	Business-type Activities	Total
		Charges for Services	Grants and Contributions	Grants and Contributions			
Governmental Activities:							
General government	\$ 1,845,996	\$ 119,281	\$ 163,767	\$ 519,907	\$ (1,043,041)	\$ -	\$ (1,043,041)
Depreciation expense	41,191	-	-	-	(41,191)	-	(41,191)
Public safety	2,712,580	109,647	172,812	-	(2,430,121)	-	(2,430,121)
Public works	831,626	-	265,901	-	(565,725)	-	(565,725)
Culture and recreation	899,584	272,991	6,268	-	(620,325)	-	(620,325)
Interest	38,733	-	-	-	(38,733)	-	(38,733)
Total	6,369,710	501,919	608,748	519,907	(4,739,136)	-	(4,739,136)
Business-type Activities:							
Water and sewer	2,032,868	1,852,505	-	-	-	(180,363)	(180,363)
Gas	5,160,983	6,407,619	-	-	-	1,246,636	1,246,636
Electric	24,201,561	25,134,629	-	30,670	-	963,738	963,738
Waste Disposal	745,853	603,263	3,693	-	-	(138,897)	(138,897)
Airport	39,837	15,262	10,668	-	-	(13,907)	(13,907)
Total	32,181,102	34,013,278	14,361	30,670	-	1,877,207	1,877,207
Total Primary Government	\$38,550,812	\$34,515,197	\$ 623,109	\$ 550,577	(4,739,136)	1,877,207	(2,861,929)
General Revenues:							
Taxes:							
General purpose levies					873,496	62,260	935,756
Debt purpose levies					-	-	-
Sales taxes					2,504,510	-	2,504,510
Special city sales taxes					553,284	-	553,284
Franchise taxes					47,644	-	47,644
Investment earnings					52,027	83,614	135,641
Gain (loss) on asset disposals					1,727	-	1,727
Transfers					777,601	(777,601)	-
Total					4,810,289	(631,727)	4,178,562
Change in Net Assets					71,153	1,245,480	1,316,633
Net Assets - Beginning					13,057,287	34,904,640	47,961,927
Net Assets - Ending					\$13,128,440	\$36,150,120	\$49,278,560

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

# CITY OF NEW ALBANY, MISSISSIPPI

## Balance Sheet - Governmental Funds

September 30, 2010

### Major Funds

	General Fund	Tourism Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 1,415,037	\$ 123,296	\$ 308,763	\$ 1,847,096
Investments	2,067,888	-	-	2,067,888
Due from other funds	-	134,171	-	134,171
Accounts receivable	514,954	53,728	37,336	606,018
Lease receivable	-	-	222,206	222,206
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 3,997,879</u>	<u>\$ 311,195</u>	<u>\$ 568,305</u>	<u>\$ 4,877,379</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 335,454	\$ 74,512	\$ 22,807	\$ 432,773
Due to other funds	134,171	-	-	134,171
Deferred revenue - lease principal	-	-	164,172	164,172
Deferred revenue - lease interest	-	-	58,034	58,034
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>469,625</u>	<u>74,512</u>	<u>245,013</u>	<u>789,150</u>
Fund Balances:				
Reserved for:				
Debt service	-	-	532	532
Unreserved, reported in:				
General Fund	3,528,254	-		3,528,254
Special Revenue Funds	-	236,683	255,136	491,819
Capital project funds	-	-	67,624	67,624
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balances	<u>3,528,254</u>	<u>236,683</u>	<u>323,292</u>	<u>4,088,229</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities and Fund Balances	<u>\$ 3,997,879</u>	<u>\$ 311,195</u>	<u>\$ 568,305</u>	<u>\$ 4,877,379</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 Assets**

**September 30, 2010**

	<u>Amount</u>
Total Fund Balance - Total Governmental Funds	\$ 4,088,229
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 \$ 3,429,708	9,818,045
2. Other long-term assets are not available to pay for current period expenditures and are, therefore, deferred in the governmental funds.	164,172
3. Long-term liabilities, including bonds payable, are not due and payable in the current period and are, therefore, not reported in governmental funds.	(832,040)
4. Accrued compensated absences are not due and payable in the current year and are, therefore, not reported in the governmental funds.	<u>(109,966)</u>
Total Net Assets - Governmental Activities	<u>\$ 13,128,440</u>

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, 2010

	<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	\$ 790,377	\$ -	\$ 83,125	\$ 873,502
Licenses and permits	93,638	-	-	93,638
Intergovernmental revenue	2,986,762	553,284	640,135	4,180,181
Charges for services	227,182	-	13,590	240,772
Fines and forfeitures	102,175	-	2,832	105,007
Investment earnings	39,447	5,594	6,986	52,027
Miscellaneous	62,104	5,000	49,310	116,414
Total Revenues	<u>4,301,685</u>	<u>563,878</u>	<u>795,978</u>	<u>5,661,541</u>
<b>Expenditures:</b>				
General government	1,434,990	358,674	93,936	1,887,600
Public safety	2,465,664	-	70,835	2,536,499
Public works	614,338	-	-	614,338
Culture and recreation	713,750	-	74,909	788,659
Debt service:				
Principal	21,584	84,270	18,900	124,754
Interest and other charges	5,585	14,468	18,538	38,591
Capital outlay	144,795	181,098	554,863	880,756
Total Expenditures	<u>5,400,706</u>	<u>638,510</u>	<u>831,981</u>	<u>6,871,197</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,099,021)</u>	<u>(74,632)</u>	<u>(36,003)</u>	<u>(1,209,656)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	861,485	-	20,000	881,485
Transfers out	(60,946)	(20,000)	(22,938)	(103,884)
Lease principal payments	-	-	7,236	7,236
Loan proceeds	-	-	-	-
Total Other Financing Sources (Uses)	<u>800,539</u>	<u>(20,000)</u>	<u>4,298</u>	<u>784,837</u>
<b>Special Item:</b>				
Proceeds from the disposal of capital assets	<u>2,200</u>	<u>-</u>	<u>-</u>	<u>2,200</u>
Net Change in Fund Balances	(296,282)	(94,632)	(31,705)	(422,619)
Fund balances - beginning	<u>3,824,536</u>	<u>331,315</u>	<u>354,997</u>	<u>4,510,848</u>
Fund balances - ending	<u>\$ 3,528,254</u>	<u>\$ 236,683</u>	<u>\$ 323,292</u>	<u>\$ 4,088,229</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, 2010**

	<u>Amount</u>
Net Change in Fund Balances - Total Governmental Funds	\$ (422,619)
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.	411,427
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.	(473)
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.	(34,558)
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.	(7,236)
5. 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 repayments exceeded proceeds.	<u>124,612</u>
Change in Net Assets of Governmental Activities	<u>\$ 71,153</u>

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

# CITY OF NEW ALBANY, MISSISSIPPI

## Statement of Fund Net Assets - Proprietary Funds

September 30, 2010

### Major Funds

	Water and Sewer	Gas System	Electric Department	Other Enterprise Funds	Total Enterprise Funds
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 746,257	\$ 1,670,965	\$ 4,972,079	\$ 292,181	\$ 7,681,482
Investments	704,270	842,457	567,828	-	2,114,555
Materials and supplies	-	776,677	459,787	-	1,236,464
Accounts receivable, net of allow- ance for doubtful accounts of \$ 511,131	264,918	164,575	4,636,070	50,469	5,116,032
Prepayments	-	11,832	29,378	-	41,210
Total current assets	<u>1,715,445</u>	<u>3,466,506</u>	<u>10,665,142</u>	<u>342,650</u>	<u>16,189,743</u>
<b>Noncurrent Assets</b>					
Notes receivable	-	-	19,156	-	19,156
Other assets	-	-	140,007	-	140,007
Capital assets:					
Land	56,140	45,903	27,318	-	129,361
Distribution plant	17,740,735	8,184,188	29,662,901	-	55,587,824
Machinery and equipment	217,553	894,000	2,005,467	910,842	4,027,862
Construction in progress	-	-	772,324	-	772,324
Less: accumulated depreciation	<u>(6,979,044)</u>	<u>(6,263,182)</u>	<u>(11,719,717)</u>	<u>(797,227)</u>	<u>(25,759,170)</u>
Total non-current assets	<u>11,035,384</u>	<u>2,860,909</u>	<u>20,907,456</u>	<u>113,615</u>	<u>34,917,364</u>
Total assets	<u>12,750,829</u>	<u>6,327,415</u>	<u>31,572,598</u>	<u>456,265</u>	<u>51,107,107</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current liabilities</b>					
Accounts payable and accrued expenses	222,596	328,649	4,111,805	34,798	4,697,848
Customer deposits	114,077	471,591	1,092,832	-	1,678,500
Current maturities of long-term debt	113,585	-	200,554	-	314,139
Total current liabilities	<u>450,258</u>	<u>800,240</u>	<u>5,405,191</u>	<u>34,798</u>	<u>6,690,487</u>
<b>Non-current liabilities</b>					
Notes payable	-	-	4,026,458	-	4,026,458
Bonds payable	4,240,042	-	-	-	4,240,042
Total non-current liabilities	<u>4,240,042</u>	<u>-</u>	<u>4,026,458</u>	<u>-</u>	<u>8,266,500</u>
Total liabilities	<u>4,690,300</u>	<u>800,240</u>	<u>9,431,649</u>	<u>34,798</u>	<u>14,956,987</u>
<b>Net assets</b>					
Invested in capital assets, net of related debt	6,681,757	2,860,909	16,521,281	113,615	26,177,562
Restricted	245,566	-	-	-	245,566
Unrestricted	<u>1,133,206</u>	<u>2,666,266</u>	<u>5,619,668</u>	<u>307,852</u>	<u>9,726,992</u>
Total net assets	<u>\$ 8,060,529</u>	<u>\$ 5,527,175</u>	<u>\$ 22,140,949</u>	<u>\$ 421,467</u>	<u>\$ 36,150,120</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 Assets - Proprietary Funds

For the Year Ended September 30, 2010

	Major Funds			Other	Total
	Water and Sewer	Gas System	Electric Department	Enterprise Funds	Enterprise Funds
<b>Operating revenues:</b>					
Charges for services	\$ 1,819,581	\$ 6,407,619	\$ 25,134,629	\$ 616,841	\$ 33,978,670
Other	32,924	-	-	1,684	34,608
Total operating revenues	<u>1,852,505</u>	<u>6,407,619</u>	<u>25,134,629</u>	<u>618,525</u>	<u>34,013,278</u>
<b>Operating expenses:</b>					
Depreciation and amortization	349,521	182,842	932,822	49,096	1,514,281
Natural gas purchased	-	3,804,985	-	-	3,804,985
Operation and maintenance	1,476,185	1,173,156	2,431,957	736,594	5,817,892
Purchased power	-	-	19,934,636	-	19,934,636
Facilities rental	-	-	72,652	-	72,652
Tax equivalents	-	-	563,400	-	563,400
Total operating expenses	<u>1,825,706</u>	<u>5,160,983</u>	<u>23,935,467</u>	<u>785,690</u>	<u>31,707,846</u>
Operating income (loss)	<u>26,799</u>	<u>1,246,636</u>	<u>1,199,162</u>	<u>(167,165)</u>	<u>2,305,432</u>
<b>Non-operating revenues (expenses):</b>					
Interest income	12,329	15,310	54,717	1,258	83,614
Interest expense	(207,162)	-	(266,094)	-	(473,256)
Gain on sale of plant	-	-	-	-	-
Property taxes	-	-	-	62,260	62,260
Intergovernmental revenue	-	-	-	14,361	14,361
Grants in aid of construction	-	-	30,670	-	30,670
Other income/expense	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>(194,833)</u>	<u>15,310</u>	<u>(180,707)</u>	<u>77,879</u>	<u>(282,351)</u>
Income (loss) before operating transfers	<u>(168,034)</u>	<u>1,261,946</u>	<u>1,018,455</u>	<u>(89,286)</u>	<u>2,023,081</u>
Transfers in (out)	<u>(120,000)</u>	<u>(600,000)</u>	<u>-</u>	<u>(57,601)</u>	<u>(777,601)</u>
Change in net assets	<u>(288,034)</u>	<u>661,946</u>	<u>1,018,455</u>	<u>(146,887)</u>	<u>1,245,480</u>
Net assets, beginning	<u>8,348,563</u>	<u>4,865,229</u>	<u>21,122,494</u>	<u>568,354</u>	<u>34,904,640</u>
Net assets, ending	<u>\$ 8,060,529</u>	<u>\$ 5,527,175</u>	<u>\$ 22,140,949</u>	<u>\$ 421,467</u>	<u>\$ 36,150,120</u>

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, 2010

	Major Funds			Other Enterprise Funds	Total Enterprise Funds
	Water and Sewer	Gas System	Electric Department		
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 1,849,425	\$ 6,490,672	\$ 24,826,725	\$ 682,279	\$ 33,849,101
Cash payments to suppliers for goods and services	(1,081,105)	(4,308,493)	(20,003,688)	(438,474)	(25,831,760)
Cash payments to employees	(429,943)	(679,055)	(1,933,669)	(327,399)	(3,370,066)
Payments to City of New Albany	-	-	(563,400)	-	(563,400)
Net cash provided by (used in) operating activities	338,377	1,503,124	2,325,968	(83,594)	4,083,875
<b>Cash flows from non-capital financing activities:</b>					
Operating transfers, net	(120,000)	(600,000)	-	(57,601)	(777,601)
Net cash used in non-capital financing activities	(120,000)	(600,000)	-	(57,601)	(777,601)
<b>Cash flows from capital and related financing activities:</b>					
Net additions to utility plant	(35,859)	(48,781)	(397,113)	-	(481,753)
Proceeds from sale of assets	-	-	-	-	-
Taxes and intergovernmental revenues, net	-	-	-	76,621	76,621
Proceeds from grants	-	-	30,670	-	30,670
Proceeds from issuance of debt	-	-	4,306,175	-	4,306,175
Principal paid on bonds and notes	(116,869)	-	(5,791,065)	-	(5,907,934)
Interest paid on bonds and notes	(207,162)	-	(266,094)	-	(473,256)
Net cash provided by (used in) capital and related financing activities	(359,890)	(48,781)	(2,117,427)	76,621	(2,449,477)
<b>Cash flows from investing activities:</b>					
Interest on investments	12,329	15,310	54,717	1,258	83,614
Change in cash investments	(10,351)	(10,604)	(9,566)	-	(30,521)
Net cash provided (used) by investing activities	1,978	4,706	45,151	1,258	53,093
Net change in cash	(139,535)	859,049	253,692	(63,316)	909,890
Cash and cash equivalents at beginning of year	885,792	811,916	4,718,387	355,497	6,771,592
Cash and cash equivalents at end of year	\$ 746,257	\$ 1,670,965	\$ 4,972,079	\$ 292,181	\$ 7,681,482
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 26,799	\$ 1,246,636	\$ 1,199,162	\$ (167,165)	\$ 2,305,432
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	349,521	182,842	932,822	49,096	1,514,281
Decrease (increase) in:					
Accounts receivable	(6,261)	71,939	(291,553)	63,753	(162,122)
Materials and supplies	-	24,030	(42,824)	-	(18,794)
Prepayments	-	2	3,667	-	3,669
Other assets	-	-	(140,007)	-	(140,007)
Increase (decrease) in:					
Accounts payable and accrued expenses	(34,863)	(33,089)	628,677	(29,278)	531,447
Customer deposits	3,181	10,764	36,024	-	49,969
Net cash provided by operating activities	\$ 338,377	\$ 1,503,124	\$ 2,325,968	\$ (83,594)	\$ 4,083,875

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

**CITY OF NEW ALBANY, MISSISSIPPI**

**Statement of Fiduciary Net Assets**

**September 30, 2010**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash	\$ 11,555
Accounts and interest receivable	15
Investments	<u>14,858</u>
Total Assets	<u>\$ 26,428</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	<u>\$ 26,428</u>
Total Liabilities	<u>\$ 26,428</u>

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

# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2010

### 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 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 City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks and recreation, public works and general administrative services are classified as governmental activities. The City's water and sewer, electric, gas, waste disposal and airport are classified as business-type activities.

In the government-wide Statement of Net Assets, 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 assets 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 government-wide Statement of Activities reports both the gross and net costs of each of the City's functions and business-type activities (police, fire, public works, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police,

# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2010

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

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

public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.).

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 assets resulting from the current year's activities.

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

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

#### **I. 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. The generally accepted accounting principals applicable are those similar businesses in the private sector. The following is a description of the proprietary funds of the City:

# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2010

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

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

- a. **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.
- b. **Internal service funds** are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the City on a cost-reimbursement basis.

#### **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 assets and changes in net assets 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. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

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*

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

##### **1. Accrual:**

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

##### **2. Modified Accrual:**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2010

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

#### *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.

##### **4. 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:

	<i>Estimated Useful Life</i>
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

##### **5. Revenues:**

Substantially all governmental fund revenues are accrued. 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. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expense result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2010

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

#### *D. Financial Statement Amounts* (continued)

##### **6. Expenditures:**

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

##### **7. 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.

##### **8. 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.

##### **9. Restricted Resources:**

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

##### **10. 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.

##### **11. Electric Department Year End:**

Data listed in this report for the Electric Department represent balances as of June 30, 2010, and cumulative totals for the 12-month period then ending.

##### **12. 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.

##### **13. 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.

##### **14. Subsequent Events:**

In preparing these financial statements, the City has evaluated events and transaction for potential recognition or disclosure through February 8, 2011, the date the financial statements were available to be issued.

# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2010

### 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 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 receivables at September 30, 2010 follows:

	<i>Accounts</i>	<i>Due from Other Governments</i>	<i>Other</i>	<i>Total Receivables</i>
Governmental activities				
General	\$ 59,351	\$ 444,986	\$ 10,617	\$ 514,954
Tourism	-	43,591	10,137	53,728
Other governmental	286	33,648	3,402	37,336
Total governmental activities	<u>\$ 59,637</u>	<u>\$ 522,225</u>	<u>\$ 24,156</u>	<u>\$ 606,018</u>
Business-type activities				
Electric	\$ 3,980,505	\$ 426,635	\$ 228,930	\$ 4,636,070
Gas	163,342	-	1,233	164,575
Water and sewer	264,918	-	-	264,918
Other business-type	50,469	-	-	50,469
Total business-type activities	<u>\$ 4,459,234</u>	<u>\$ 426,635</u>	<u>\$ 230,163</u>	<u>\$ 5,116,032</u>

# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2010

### NOTE 4. CAPITAL LEASE RECEIVABLE

The City has entered into a capital lease agreement with CEC Production Metal Processing, Inc. (CEC) to lease/sell a building to them. This is a capital lease accounted for as a "direct financing lease" for the following reasons: There is a "bargain" purchase clause at the term of the lease that allows CEC to purchase the building for \$ 500. The city's cost of the building is \$ 191,984. It is the City's intention to sell the building to CEC.

The City borrowed \$ 191,984 through a CAP loan in fiscal year 2006 to construct the building.

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 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%.

Future minimum lease receivables are as follows:

	<i><u>Principal</u></i>	<i><u>Interest</u></i>
Years ending September 30:		
2011	\$ 7,531	\$ 6,430
2012	7,837	6,123
2013	8,157	5,804
2014	8,489	5,471
2015	8,835	5,125
2016-2020	49,878	19,926
2021-2025	60,901	8,903
2026	12,544	252
	<u>\$ 164,172</u>	<u>\$ 58,034</u>

The County has an identical agreement with MDA and CEC.

# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2010

### NOTE 5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended September 30, 2010, was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
<b>Governmental Activities</b>				
Non-depreciable capital assets:				
Land	\$ 1,109,750	\$ -	\$ -	\$ 1,109,750
Construction in progress	1,576,783	696,402	11,500	2,261,685
Timber rights	10,000	-	-	10,000
Total non-depreciable capital assets	<u>2,696,533</u>	<u>696,402</u>	<u>11,500</u>	<u>3,381,435</u>
Depreciable capital assets:				
Buildings	1,884,212	11,500	-	1,895,712
Improvements other than buildings	2,713,320	-	-	2,713,320
Machinery and equipment	2,679,920	162,665	71,055	2,771,530
Road network	2,035,299	-	-	2,035,299
Bridge network	450,456	-	-	450,456
Total depreciable capital assets	<u>9,763,207</u>	<u>174,165</u>	<u>71,055</u>	<u>9,866,317</u>
Less accumulated depreciation for:				
Buildings	492,929	42,325	-	535,254
Improvements other than buildings	371,879	124,802	-	496,681
Machinery and equipment	1,465,479	198,983	70,582	1,593,880
Road network	607,670	71,235	-	678,905
Bridge network	114,699	10,288	-	124,987
Total accumulated depreciation	<u>3,052,656</u>	<u>447,633</u>	<u>70,582</u>	<u>3,429,707</u>
Total depreciable capital assets, net	<u>6,710,551</u>	<u>(273,468)</u>	<u>473</u>	<u>6,436,610</u>
Governmental activities capital assets, net	<u>\$ 9,407,084</u>	<u>\$ 422,934</u>	<u>\$ 11,973</u>	<u>\$ 9,818,045</u>

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

General government	\$ 41,191
Public safety	132,606
Public works, which including road and bridge networks	215,397
Culture and recreation	<u>58,439</u>
	<u>\$ 447,633</u>

# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2010

### NOTE 5. CAPITAL ASSETS (continued)

Capital asset activity for business-type activities for the year ended September 30, 2010, 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>Business-Type Activities:</b>				
Non-depreciable capital assets:				
Land	\$ 121,361	\$ 8,000	\$ -	\$ 129,361
Construction in progress	6,999,547	(6,227,223)	-	772,324
Total non-depreciable capital assets	<u>7,120,908</u>	<u>(6,219,223)</u>	<u>-</u>	<u>901,685</u>
Depreciable capital assets:				
Distribution plant	48,935,107	6,769,769	117,052	55,587,824
Machinery and equipment	3,997,858	30,004	-	4,027,862
Total depreciable capital assets	<u>52,932,965</u>	<u>6,799,773</u>	<u>117,052</u>	<u>59,615,686</u>
Less accumulated depreciation for:				
Distribution plant	21,263,213	1,470,514	169,692	22,564,035
Machinery and equipment	2,999,931	195,204	-	3,195,135
Total accumulated depreciation	<u>24,263,144</u>	<u>1,665,718</u>	<u>169,692</u>	<u>25,759,170</u>
Total depreciable capital assets, net	<u>28,669,821</u>	<u>5,134,055</u>	<u>(52,640)</u>	<u>33,856,516</u>
Business-Type activities capital assets, net	<u>\$ 35,790,729</u>	<u>\$ (1,085,168)</u>	<u>\$ (52,640)</u>	<u>\$ 34,758,201</u>

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

Electric	\$ 932,822
Gas	182,842
Water and sewer	349,521
Other non-major proprietary funds	49,096
	<u>\$ 1,514,281</u>

# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2010

### NOTE 6. PAYABLES

Payables at September 30, 2010, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	\$ 178,606	\$ 217,914	\$ 48,900	\$ 445,420
Tourism	74,512	-	-	74,512
Other governmental	22,807	-	-	22,807
Total governmental activities	<u>\$ 275,925</u>	<u>\$ 217,914</u>	<u>\$ 48,900</u>	<u>\$ 542,739</u>
Business-type activities				
Electric	\$ 4,018,916	\$ 92,889	\$ -	\$ 4,111,805
Gas	305,051	23,598	-	328,649
Water and sewer	192,366	20,488	9,742	222,596
Other business-type	34,798	-	-	34,798
Total business-type activities	<u>\$ 4,551,131</u>	<u>\$ 136,975</u>	<u>\$ 9,742</u>	<u>\$ 4,697,848</u>

### NOTE 7. LONG-TERM DEBT

The City's long-term debt is 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, 2010, the governmental long-term debt consisted of the following:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
Bank note on Sportsplex sign	5.080%	4/25/2012	\$ 55,950
Bank note on Magnolia Civic Center	3.500%	10/10/2014	260,783
Capital improvement loan	4.250%	12/1/2012	20,148
Capital improvement loan	3.000%	7/1/2029	332,737
Capital improvement loan	3.000%	9/1/2026	162,422
			<u>\$ 832,040</u>

# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2010

### Business-type Activities:

As of September 30, 2010, the long-term debt payable from proprietary fund resources consisted of the following:

	<i>Interest Rate</i>	<i>Maturity Date</i>	<i>Balance</i>
Water and sewer revenue bonds	5.000%	8/1/2029	\$ 2,174,913
Water and sewer revenue bonds	4.380%	3/1/2041	827,038
Water and sewer revenue bonds	4.375%	10/1/2041	1,344,678
Farmers Home Administration note	5.000%	3/1/2011	6,998
Bank note on Wellspring mega-site	5.000%	2/1/2025	4,227,012
			<u>\$ 8,580,639</u>

### Changes in Long-Term Debt

During the fiscal year, the Electric Department made a lump-sum principal payment of approximately \$ 1,350,000 on the Wellspring mega-site bank note, refinancing the resulting balance into a new long-term obligation. Regular principal payments accounted for the other changes in long-term debt obligations of the City.

The following is a summary of changes in long-term debt for the year ended September 30, 2010:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>	<i>Amount Due Within One Year</i>
Governmental activities:					
Notes payable	\$ 956,652	\$ -	\$ 124,612	\$ 832,040	\$ 126,181
Total governmental fund debt	<u>\$ 956,652</u>	<u>\$ -</u>	<u>\$ 124,612</u>	<u>\$ 832,040</u>	<u>\$ 126,181</u>
Business-type activities					
Bonds payable	\$ 4,448,232	\$ -	\$ 101,603	\$ 4,346,629	\$ 106,587
Notes payable	5,734,166	4,306,175	5,806,331	4,234,010	207,552
Total enterprise fund debt	<u>\$ 10,182,398</u>	<u>\$ 4,306,175</u>	<u>\$ 5,907,934</u>	<u>\$ 8,580,639</u>	<u>\$ 314,139</u>

# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2010

### NOTE 8. LONG-TERM DEBT (continued)

#### Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2010 are as follows:

<i>Year Ending September 30,</i>	<i>Governmental Activities</i>			
	<i>State of Mississippi Notes</i>		<i>Bank Notes</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2011	\$ 38,445	\$ 15,089	\$ 87,737	\$ 11,001
2012	25,374	13,926	91,319	7,465
2013	22,836	13,234	64,856	3,784
2014	23,530	12,539	72,821	1,494
2015	24,246	11,824	-	-
2016-2020	132,751	47,598	-	-
2021-2025	154,206	26,143	-	-
2026-2030	93,919	4,904	-	-
	<u>\$ 515,307</u>	<u>\$ 145,257</u>	<u>\$ 316,733</u>	<u>\$ 23,744</u>

<i>Year Ending September 30,</i>	<i>Business Type Activities</i>			
	<i>Water and Sewer Bonds</i>		<i>FHA and Bank Notes</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2011	\$ 106,587	\$ 201,420	\$ 207,552	\$ 206,812
2012	111,810	196,197	210,276	197,091
2013	117,289	190,718	221,064	186,302
2014	123,038	184,968	232,406	174,961
2015	129,071	178,936	244,329	163,037
2016-2020	746,753	793,281	1,423,045	613,786
2021-2025	948,900	591,134	1,695,338	210,112
2026-2030	995,859	339,552	-	-
2031-2035	462,666	185,468	-	-
2036-2040	575,569	72,566	-	-
2041-2045	29,087	310	-	-
	<u>\$ 4,346,629</u>	<u>\$ 2,934,550</u>	<u>\$ 4,234,010</u>	<u>\$ 1,752,101</u>

Revenue 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 \$ 245,566, which is consistent, in all material respects, with the covenants contained in the related revenue bond issues. The balance of these accounts is included in restricted net assets on the statement of net assets.

# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2010

### NOTE 8. INTERFUND BALANCES

Inter-fund balances at September 30, 2010, consisted of the following:

	<u><i>Due From</i></u> <u><i>General</i></u> <u><i>Fund</i></u>
Due to:	
Tourism Fund	\$ 134,171
Total	<u>\$ 134,171</u>

### NOTE 9. INTER-FUND TRANSFERS

Inter-fund transfers for the year ended September 30, 2010, consisted of the following:

		Transfer From						
		<i>General Fund</i>	<i>Tourism</i>	<i>Nonmajor Govern- mental</i>	<i>Water and Sewer</i>	<i>Gas</i>	<i>Nonmajor Propri- etary</i>	<i>Total</i>
Transfer to	General fund	\$ 30,016	\$ -	\$ 11,469	\$ 120,000	\$ 600,000	\$ 100,000	\$ 861,485
	Nonmajor governmental	-	20,000	-	-	-	-	20,000
	Nonmajor proprietary	30,930	-	11,469	-	-	-	42,399
		\$ 60,946	\$ 20,000	\$ 22,938	\$ 120,000	\$ 600,000	\$ 100,000	\$ 923,884

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 10. 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 11. PENSION PLAN

The City of New Albany contributes to the Public Employee's Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or (800) 444-PERS.

# **CITY OF NEW ALBANY, MISSISSIPPI**

## **Notes to Financial Statements September 30, 2010**

### **NOTE 11. PENSION PLAN (continued)**

PERS members are required to contribute 9.00% of their annual covered salary, and the City of New Albany is required to contribute at an actuarially determined rate. The current rate, effective July 1, 2009, is 12.00% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of New Albany's contributions to PERS for the years ending September 30, 2010, 2009, and 2008, \$ 618,105, \$ 607,631 and \$ 580,785, respectively, equal to the required contributions for each year.

### **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 \$ 82,274 during the year ended June 30, 2010, for the Gas Department amounted to \$ 914, and for the Water & Sewer Department amounted to \$ 2,500 during the year ended September 30, 2010.

### **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. COMMITMENTS**

The City has agreed to reimburse Union County for half of the payments due on a loan obtained by the County from the State of Mississippi MBIA program in connection with the Wal-Mart Distribution Center. The City's half of the annual payment is \$ 43,500 and will be payable through 2011.

### **NOTE 16. 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 at the applicable federal rate (4.31% during the year ended June 30, 2010).

# **CITY OF NEW ALBANY, MISSISSIPPI**

## **Notes to Financial Statements September 30, 2010**

### **NOTE 17. 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 18. 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, 2010, the City provided \$ 35,200 in support to the Association.

The Union County Library administers the countywide library. For the fiscal year ended September 30, 2010, 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, 2010, the City provided \$ 70,500 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, 2010, the City provided \$ 4,500 in support to the Council.

Union County Welfare Department administers the operations of the local welfare department. For the fiscal year ended September 30, 2010, 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, 2010, the City provided \$ 3,900 in support to the Department.

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

### **NOTE 19. 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 20. UNEMPLOYMENT CONTINGENT LIABILITY**

The City has an agency fund in which it holds funds restricted to pay unemployment claims. At September 30, 2010, \$ 20,043 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, 2010**

### **NOTE 21. 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.

## Required Supplementary Information

**CITY OF NEW ALBANY, MISSISSIPPI**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended September 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	
<b>Revenues:</b>				
Taxes	\$ 689,950	\$ 689,950	\$ 669,438	\$ (20,512)
Licenses and permits	120,200	120,200	83,021	(37,179)
Intergovernmental revenue	2,941,583	2,959,185	2,907,656	(51,529)
Charges for services	219,640	221,615	227,182	5,567
Fines and forfeitures	110,000	110,000	107,142	(2,858)
Investment earnings	105,000	105,000	36,270	(68,730)
Miscellaneous	53,500	53,510	116,826	63,316
Total Revenues	<u>4,239,873</u>	<u>4,259,460</u>	<u>4,147,535</u>	<u>(111,925)</u>
<b>Expenditures:</b>				
General government:				
Legislative:				
Personal services	100,351	100,351	92,272	8,079
Supplies	100	100	-	100
Other services and charges	13,000	13,000	7,609	5,391
Capital outlay	-	-	-	-
	<u>113,451</u>	<u>113,451</u>	<u>99,881</u>	<u>13,570</u>
Judicial:				
Personal services	61,952	61,952	61,839	113
Supplies	850	1,612	1,612	-
Other services and charges	7,175	7,177	7,177	-
Capital outlay	-	-	-	-
	<u>69,977</u>	<u>70,741</u>	<u>70,628</u>	<u>113</u>
Executive:				
Personal services	125,274	127,772	127,771	1
Supplies	4,950	4,950	2,886	2,064
Other services and charges	8,515	8,515	6,857	1,658
Capital outlay	500	500	-	500
	<u>139,239</u>	<u>141,737</u>	<u>137,514</u>	<u>4,223</u>
Elections:				
Personal services	3,000	3,000	2,180	820
Supplies	200	200	23	177
Other services and charges	250	2,474	2,474	-
Capital outlay	-	-	-	-
	<u>3,450</u>	<u>5,674</u>	<u>4,677</u>	<u>997</u>
Financial:				
Personal services	117,760	117,760	94,530	23,230
Supplies	6,350	6,350	5,869	481
Other services and charges	123,955	123,955	114,901	9,054
Capital outlay	3,500	3,500	-	3,500
	<u>251,565</u>	<u>251,565</u>	<u>215,300</u>	<u>36,265</u>

The accompanying note to the budgetary comparison schedules are an integral part of this schedule.

# CITY OF NEW ALBANY, MISSISSIPPI

## Budgetary Comparison Schedule - General Fund - Continued

For the Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
<b>Expenditures - Continued:</b>				
Legal:				
Personal services	49,134	52,764	52,763	1
Supplies	-	-	-	-
Other services and charges	51,750	51,750	32,257	19,493
Capital outlay	-	-	-	-
	<u>100,884</u>	<u>104,514</u>	<u>85,020</u>	<u>19,494</u>
Building Inspector:				
Personal services	89,974	90,716	90,715	1
Supplies	4,700	5,026	5,025	1
Other services and charges	13,590	11,090	6,940	4,150
Capital outlay	-	-	-	-
	<u>108,264</u>	<u>106,832</u>	<u>102,680</u>	<u>4,152</u>
Public property:				
Personal services	93,304	109,054	109,054	-
Supplies	13,500	13,500	11,302	2,198
Other services and charges	84,700	98,862	98,860	2
Capital outlay	18,500	18,500	16,860	1,640
	<u>210,004</u>	<u>239,916</u>	<u>236,076</u>	<u>3,840</u>
Miscellaneous:				
Personal services	13,500	13,500	9,019	4,481
Supplies	750	750	567	183
Other services and charges	229,200	254,652	254,651	1
Capital outlay	-	-	-	-
	<u>243,450</u>	<u>268,902</u>	<u>264,237</u>	<u>4,665</u>
Public Safety:				
Police:				
Personal services	1,178,153	1,278,059	1,278,058	1
Supplies	120,000	120,000	114,424	5,576
Other services and charges	128,550	128,550	125,619	2,931
Capital outlay	64,000	64,000	52,291	11,709
	<u>1,490,703</u>	<u>1,590,609</u>	<u>1,570,392</u>	<u>20,217</u>
Fire:				
Personal services	861,004	864,689	864,688	1
Supplies	83,850	63,850	36,622	27,228
Other services and charges	54,350	54,350	48,549	5,801
Capital outlay	-	355	355	-
	<u>999,204</u>	<u>983,244</u>	<u>950,214</u>	<u>33,030</u>

The accompanying note to the budgetary comparison schedules are an integral part of this schedule.

# CITY OF NEW ALBANY, MISSISSIPPI

## Budgetary Comparison Schedule - General Fund - Continued

For the Year Ended September 30, 2010

	<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>				
Streets:				
Personal services	366,897	366,897	327,578	39,319
Supplies	73,600	98,861	98,860	1
Other services and charges	221,200	196,200	159,881	36,319
Capital outlay	10,000	10,000	3,590	6,410
	<u>671,697</u>	<u>671,958</u>	<u>589,909</u>	<u>82,049</u>
Recreation:				
Personal services	396,521	453,913	453,913	-
Supplies	170,100	170,100	170,039	61
Other services and charges	88,650	88,650	83,649	5,001
Capital outlay	63,500	66,660	66,659	1
	<u>718,771</u>	<u>779,323</u>	<u>774,260</u>	<u>5,063</u>
Debt service:				
Principal retirement	-	-	65,084	(65,084)
Interest and fiscal charges	-	-	5,585	(5,585)
	<u>-</u>	<u>-</u>	<u>70,669</u>	<u>(70,669)</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in (out)	878,036	849,036	784,750	(64,286)
Proceeds from the disposal of capital assets	2,750	2,750	2,200	(550)
Loan proceeds	-	-	-	-
	<u>880,786</u>	<u>851,786</u>	<u>786,950</u>	<u>(64,836)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	(217,220)	(236,972)	<u>\$ (19,752)</u>
Fund balance - beginning of year	<u>1,869,487</u>	<u>1,869,487</u>	<u>1,869,487</u>	
Fund balance - end of year	<u>\$ 1,869,487</u>	<u>\$ 1,652,267</u>	<u>\$ 1,632,515</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budgetary basis			(236,972)	
Revenue and expense accruals, net			(8,731)	
Modified accrual basis			<u>\$ (245,703)</u>	

The accompanying note to the budgetary comparison schedules are an integral part of this schedule.

# CITY OF NEW ALBANY, MISSISSIPPI

## Budgetary Comparison Schedule - Tourism Fund

For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental revenue	\$ 500,000	\$ 500,000	\$ 457,110	(42,890)
Investment earnings	400	400	80	(320)
Miscellaneous	-	-	-	-
Total Revenues	500,400	500,400	457,190	(43,210)
<b>Expenditures:</b>				
General government:				
Heritage Museum				
Personal services	53,531	53,531	53,725	(194)
Supplies	-	-	-	-
Other services and charges	28,252	28,252	28,252	-
Capital outlay	-	-	-	-
	81,783	81,783	81,977	(194)
City Beautification:				
Personal services	-	-	-	-
Supplies	90,176	90,176	89,223	953
Other services and charges	-	-	-	-
Capital outlay	-	-	-	-
	90,176	90,176	89,223	953
Cine' Restoration:				
Personal services	-	-	-	-
Supplies	10,000	10,000	10,000	-
Other services and charges	10,000	10,000	10,000	-
Capital outlay	-	-	-	-
	20,000	20,000	20,000	-
UCDA Community Promotion:				
Personal services	16,000	16,000	16,000	-
Supplies	-	-	-	-
Other services and charges	95,000	95,000	105,528	(10,528)
Capital outlay	-	-	-	-
	111,000	111,000	121,528	(10,528)
New Albany Main Street:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	35,200	35,200	37,700	(2,500)
Capital outlay	-	-	-	-
	35,200	35,200	37,700	(2,500)

The accompanying note to the budgetary comparison schedules are an integral part of this schedule.

# CITY OF NEW ALBANY, MISSISSIPPI

## Budgetary Comparison Schedule - Tourism Fund - Continued

For the Year Ended September 30, 2010

	<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>				
Miscellaneous:				
Personal services	-	-	-	-
Supplies	-	-	107	(107)
Other services and charges	3,000	31,375	38,139	(6,764)
Capital outlay	15,000	15,000	176,098	(161,098)
	<u>18,000</u>	<u>46,375</u>	<u>214,344</u>	<u>(167,969)</u>
 Debt service	 98,640	 98,640	 98,738	 (98)
<b>Other Financing Sources (Uses):</b>				
Operating transfers in (out)	-	-	-	-
Loan proceeds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	 45,601	 17,226	 (206,320)	 <u>\$ 137,126</u>
 Fund balance - beginning of year	 331,316	 331,316	 331,316	
 Fund balance - end of year	 <u>\$ 376,917</u>	 <u>\$ 348,542</u>	 <u>\$ 124,996</u>	
  Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budgetary basis			 (206,320)	
 Revenue and expense accruals, net			<u>111,688</u>	
 Modified accrual basis			<u>\$ (94,632)</u>	

The accompanying note to the budgetary comparison schedules are an integral part of this schedule.

# **CITY OF NEW ALBANY, MISSISSIPPI**

## **Notes to the Required Supplementary Information September 30, 2010**

### **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.

## Combining Fund Statements

# CITY OF NEW ALBANY, MISSISSIPPI

## Combining Balance Sheets - All General Funds

September 30, 2010

### ASSETS

	General Fund	Clearing Accounts	CDBG Grants	Water & Sewer Improvement Fund	Street Improvement Fund	HUD Programs	Health Reimbursement Account	Total General Funds
Cash	\$ 94,006	\$ 50,568	\$ 49,913	\$ 455,179	\$ 762,449	\$ 60	\$ 2,862	\$ 1,415,037
Investments	1,441,179	-	-	626,709	-	-	-	2,067,888
Due from other funds	-	-	-	-	-	-	-	-
Accounts receivable	507,379	264	832	2,181	4,298	-	-	514,954
	<u>\$ 2,042,564</u>	<u>\$ 50,832</u>	<u>\$ 50,745</u>	<u>\$ 1,084,069</u>	<u>\$ 766,747</u>	<u>\$ 60</u>	<u>\$ 2,862</u>	<u>\$ 3,997,879</u>

### LIABILITIES AND FUND BALANCES

Accounts payable and accrued expenses	\$ 284,609	\$ 50,845	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 335,454
Due to other funds	134,171	-	-	-	-	-	-	134,171
Fund balance	<u>1,623,784</u>	<u>(13)</u>	<u>50,745</u>	<u>1,084,069</u>	<u>766,747</u>	<u>60</u>	<u>2,862</u>	<u>3,528,254</u>
	<u>\$ 2,042,564</u>	<u>\$ 50,832</u>	<u>\$ 50,745</u>	<u>\$ 1,084,069</u>	<u>\$ 766,747</u>	<u>\$ 60</u>	<u>\$ 2,862</u>	<u>\$ 3,997,879</u>

# CITY OF NEW ALBANY, MISSISSIPPI

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

For the Year Ended September 30, 2010

	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	\$ 665,538	\$ -	\$ -	\$ -	\$ 124,839	\$ -	\$ -	\$ 790,377
Licenses and permits	93,638	-	-	-	-	-	-	93,638
Intergovernmental revenue	2,979,377	-	-	-	7,385	-	-	2,986,762
Charges for services	227,182	-	-	-	-	-	-	227,182
Fines and forfeitures	102,175	-	-	-	-	-	-	102,175
Investment earnings	27,190	-	45	7,240	4,967	-	5	39,447
Miscellaneous	62,104	-	-	-	-	-	-	62,104
Total Revenues	4,157,204	-	45	7,240	137,191	-	5	4,301,685
<b>Expenditures:</b>								
General government	1,239,946	-	-	-	178,596	-	16,448	1,434,990
Public safety	2,465,664	-	-	-	-	-	-	2,465,664
Public works	614,338	-	-	-	-	-	-	614,338
Culture and recreation	713,750	-	-	-	-	-	-	713,750
Debt service:								
Principal	21,584	-	-	-	-	-	-	21,584
Interest and other charges	5,585	-	-	-	-	-	-	5,585
Capital outlay	144,795	-	-	-	-	-	-	144,795
Total Expenditures	5,205,662	-	-	-	178,596	-	16,448	5,400,706
Excess (Deficiency) of Revenues over Expenditures	(1,048,458)	-	45	7,240	(41,405)	-	(16,443)	(1,099,021)
<b>Other Financing Sources (Uses):</b>								
Transfers in	846,485	-	-	-	-	-	15,000	861,485
Transfers out	(45,930)	-	-	(15,016)	-	-	-	(60,946)
Lease principal payments	-	-	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	800,555	-	-	(15,016)	-	-	15,000	800,539
<b>Special Item:</b>								
Proceeds from the disposal of capital assets	2,200	-	-	-	-	-	-	2,200
Net Change in Fund Balances	(245,703)	-	45	(7,776)	(41,405)	-	(1,443)	(296,282)
Fund balances - beginning	1,869,487	(13)	50,700	1,091,845	808,152	60	4,305	3,824,536
Fund balances - ending	\$ 1,623,784	\$ (13)	\$ 50,745	\$ 1,084,069	\$ 766,747	\$ 60	\$ 2,862	\$ 3,528,254

# CITY OF NEW ALBANY, MISSISSIPPI

## Combining Balance Sheets - Nonmajor Governmental Funds

September 30, 2010

	Special Revenue										Total Special Revenue Funds
	Fire Protection	New Albany/ Union County Drug Task Force	COPS	Local Records Management	Keep New Albany/ Union County Beautiful	Dare Program	Law Enforcement	Tallahatchie River Players	Freedom Celebration 2007	CAP Loans	
<b>ASSETS</b>											
Cash	\$ 169,362	\$ 32,525	\$ 12	\$ 5,295	\$ 5,316	\$ 1,960	\$ 22,732	\$ 6,207	\$ 4,776	\$ 25,996	\$ 274,181
Investments	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	3,402	-	-	-	-	-	-	-	-	3,402
Lease receivable	-	-	-	-	-	-	-	-	-	222,206	222,206
	<u>\$ 169,362</u>	<u>\$ 35,927</u>	<u>\$ 12</u>	<u>\$ 5,295</u>	<u>\$ 5,316</u>	<u>\$ 1,960</u>	<u>\$ 22,732</u>	<u>\$ 6,207</u>	<u>\$ 4,776</u>	<u>\$ 248,202</u>	<u>\$ 499,789</u>
<b>LIABILITIES AND FUND BALANCES</b>											
Accounts payable and accrued expenses	\$ 6,416	\$ 1,850	\$ -	\$ -	\$ 139	\$ -	\$ 11,767	\$ 990	\$ 1,285	\$ -	\$ 22,447
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue - lease principal	-	-	-	-	-	-	-	-	-	164,172	164,172
Deferred revenue - lease interest	-	-	-	-	-	-	-	-	-	58,034	58,034
Fund balance	<u>162,946</u>	<u>34,077</u>	<u>12</u>	<u>5,295</u>	<u>5,177</u>	<u>1,960</u>	<u>10,965</u>	<u>5,217</u>	<u>3,491</u>	<u>25,996</u>	<u>255,136</u>
	<u>\$ 169,362</u>	<u>\$ 35,927</u>	<u>\$ 12</u>	<u>\$ 5,295</u>	<u>\$ 5,316</u>	<u>\$ 1,960</u>	<u>\$ 22,732</u>	<u>\$ 6,207</u>	<u>\$ 4,776</u>	<u>\$ 248,202</u>	<u>\$ 499,789</u>

# CITY OF NEW ALBANY, MISSISSIPPI

## Combining Balance Sheets - Nonmajor Governmental Funds - Continued

September 30, 2010

	Debt Service		Capital Projects							Total Capital Project Funds	Total All Nonmajor Funds
	Industrial Park	Total Debt Service Funds	Park Along the River	Economic and Industrial Development Fund	Magnolia Civic Center	New Albany/ Union County Airport Grant	Sportsplex				
ASSETS											
Cash	\$ 246	\$ 246	\$ 2,452	\$ 2,659	\$ 26,757	\$ 1,298	\$ 1,170	\$ 34,336	\$ 308,763		
Investments	-	-	-	-	-	-	-	-	-	-	
Due from other funds	-	-	-	-	-	-	-	-	-	-	
Accounts receivable	286	286	-	33,648	-	-	-	33,648	37,336		
Lease receivable	-	-	-	-	-	-	-	-	222,206		
	\$ 532	\$ 532	\$ 2,452	\$ 36,307	\$ 26,757	\$ 1,298	\$ 1,170	\$ 67,984	\$ 568,305		
LIABILITIES AND FUND BALANCES											
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ 360	\$ -	\$ -	\$ 360	\$ 22,807		
Due to other funds	-	-	-	-	-	-	-	-	-	-	
Deferred revenue - lease principal	-	-	-	-	-	-	-	-	164,172		
Deferred revenue - lease interest	-	-	-	-	-	-	-	-	58,034		
Fund balance	532	532	2,452	36,307	26,397	1,298	1,170	67,624	323,292		
	\$ 532	\$ 532	\$ 2,452	\$ 36,307	\$ 26,757	\$ 1,298	\$ 1,170	\$ 67,984	\$ 568,305		

**CITY OF NEW ALBANY, MISSISSIPPI**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2010**

	Special Revenue										Total Special Revenue Funds
	New Albany/ Union County Fire Protection	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	
<b>Revenues:</b>											
Taxes	\$ 83,125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,125
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenue	46,427	36,764	-	-	-	-	37,037	-	-	-	120,228
Charges for services	-	-	-	-	-	-	-	1,730	-	-	1,730
Fines and forfeitures	-	2,832	-	-	-	-	-	-	-	-	2,832
Investment earnings	175	32	-	11	1	4	-	(1)	-	6,725	6,947
Miscellaneous	-	-	-	315	3,500	-	-	32,419	775	-	37,009
Total Revenues	129,727	39,628	-	326	3,501	4	37,037	34,148	775	6,725	251,871
<b>Expenditures:</b>											
General government	-	-	-	-	-	-	-	-	-	-	-
Public safety	37,244	21,326	-	-	-	-	12,265	-	-	-	70,835
Public works	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	3,023	-	-	35,311	1,309	-	39,643
Debt service:											
Principal	-	-	-	-	-	-	-	-	-	18,900	18,900
Interest and other charges	-	-	-	-	-	-	-	-	-	18,538	18,538
Capital outlay	107,549	4,070	-	-	-	-	13,814	-	-	-	125,433
Total Expenditures	144,793	25,396	-	-	3,023	-	26,079	35,311	1,309	37,438	273,349
Excess (Deficiency) of Revenues over Expenditures	(15,066)	14,232	-	326	478	4	10,958	(1,163)	(534)	(30,713)	(21,478)
<b>Other Financing Sources (Uses):</b>											
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Lease principal payments	-	-	-	-	-	-	-	-	-	7,236	7,236
Loan proceeds	-	-	-	-	-	-	-	-	-	-	-
Total Other Sources (Uses)	-	-	-	-	-	-	-	-	-	7,236	7,236
<b>Special Item:</b>											
Proceeds from disposal assets	-	-	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	(15,066)	14,232	-	326	478	4	10,958	(1,163)	(534)	(23,477)	(14,242)
Fund balances - beginning	178,012	19,845	12	4,969	4,699	1,956	7	6,380	4,025	49,473	269,378
Fund balances - ending	\$ 162,946	\$ 34,077	\$ 12	\$ 5,295	\$ 5,177	\$ 1,960	\$ 10,965	\$ 5,217	\$ 3,491	\$ 25,996	\$ 255,136

# 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, 2010

	Debt Service		Capital Projects							Total Capital Project Funds	Total All Nonmajor Funds
	Industrial Park	Debt Service Funds	Total Funds	Park Along the River	Economic and Industrial Development Fund	Magnolia Civic Center	New Albany/ Union County Airport		Sportsplex		
							Grant				
Revenues:											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,125
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenue	-	-	-	-	333,937	-	-	185,970	-	519,907	640,135
Charges for services	-	-	-	-	-	11,860	-	-	-	11,860	13,590
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	2,832
Investment earnings	-	-	-	2	1	30	5	1	39	6,986	
Miscellaneous	-	-	-	-	-	12,301	-	-	-	12,301	49,310
Total Revenues	-	-	-	2	333,938	24,191	185,975	1	544,107	795,978	
Expenditures:											
General government	-	-	-	-	52,681	-	41,255	-	93,936	93,936	
Public safety	-	-	-	-	-	-	-	-	-	70,835	
Public works	-	-	-	-	-	-	-	-	-	-	
Culture and recreation	-	-	-	-	-	35,266	-	-	35,266	74,909	
Debt service:											
Principal	-	-	-	-	-	-	-	-	-	18,900	
Interest and other charges	-	-	-	-	-	-	-	-	-	18,538	
Capital outlay	-	-	-	-	305,274	277	123,879	-	429,430	554,863	
Total Expenditures	-	-	-	-	357,955	35,543	165,134	-	558,632	831,981	
Excess (Deficiency) of Revenues over Expenditures	-	-	-	2	(24,017)	(11,352)	20,841	1	(14,525)	(36,003)	
Other Financing Sources (Uses):											
Transfers in	-	-	-	-	-	20,000	-	-	20,000	20,000	
Transfers out	-	-	-	-	-	-	(22,938)	-	(22,938)	(22,938)	
Lease principal payments	-	-	-	-	-	-	-	-	-	7,236	
Loan proceeds	-	-	-	-	-	-	-	-	-	-	
Total Other Sources (Uses)	-	-	-	-	-	20,000	(22,938)	-	(2,938)	4,298	
Special Item:											
Proceeds from disposal assets	-	-	-	-	-	-	-	-	-	-	
Net Change in Fund Balances	-	-	-	2	(24,017)	8,648	(2,097)	1	(17,463)	(31,705)	
Fund balances - beginning	532	532	532	2,450	60,324	17,749	3,395	1,169	85,087	354,997	
Fund balances - ending	532	532	532	2,452	36,307	26,397	1,298	1,170	67,624	323,292	

# CITY OF NEW ALBANY, MISSISSIPPI

## Combining Statement of Fund Net Assets - Nonmajor Proprietary Funds

September 30, 2010

	<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	\$ 266,692	\$ 25,489	\$ 292,181
Investments	-	-	-
Accounts receivable	<u>49,969</u>	<u>500</u>	<u>50,469</u>
Total current assets	<u>316,661</u>	<u>25,989</u>	<u>342,650</u>
<b>Noneurrent Assets</b>			
Capital assets:			
Machinery and equipment	884,746	26,096	910,842
Less: accumulated depreciation	<u>(793,432)</u>	<u>(3,795)</u>	<u>(797,227)</u>
Total non-current assets	<u>91,314</u>	<u>22,301</u>	<u>113,615</u>
Total assets	<u>\$ 407,975</u>	<u>\$ 48,290</u>	<u>\$ 456,265</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	<u>\$ 30,928</u>	<u>\$ 3,870</u>	<u>\$ 34,798</u>
Total current liabilities	<u>30,928</u>	<u>3,870</u>	<u>34,798</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	91,314	22,301	113,615
Unrestricted	<u>285,733</u>	<u>22,119</u>	<u>307,852</u>
Total net assets	<u>\$ 377,047</u>	<u>\$ 44,420</u>	<u>\$ 421,467</u>

# CITY OF NEW ALBANY, MISSISSIPPI

## Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Nonmajor Proprietary Funds

For the Year Ended September 30, 2010

	<u>Waste Disposal</u>	<u>New Albany/ Union County Airport</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Operating revenues:</b>			
Charges for services	\$ 602,227	\$ 14,614	\$ 616,841
Other	<u>1,036</u>	<u>648</u>	<u>1,684</u>
Total operating revenues	<u>603,263</u>	<u>15,262</u>	<u>618,525</u>
<b>Operating expenses:</b>			
Depreciation and amortization	47,251	1,845	49,096
Operation and maintenance	<u>698,602</u>	<u>37,992</u>	<u>736,594</u>
Total operating expenses	<u>745,853</u>	<u>39,837</u>	<u>785,690</u>
Operating income (loss)	<u>(142,590)</u>	<u>(24,575)</u>	<u>(167,165)</u>
<b>Non-operating revenues (expenses)</b>			
Interest income	1,245	13	1,258
Interest expense	-	-	-
Gain on sale of plant	-	-	-
Property taxes	62,260	-	62,260
Intergovernmental revenue	<u>3,693</u>	<u>10,668</u>	<u>14,361</u>
Total nonoperating revenues (expenses)	<u>67,198</u>	<u>10,681</u>	<u>77,879</u>
Income (loss) before operating transfers	(75,392)	(13,894)	(89,286)
Transfers in (out)	<u>(80,000)</u>	<u>22,399</u>	<u>(57,601)</u>
Change in net assets	(155,392)	8,505	(146,887)
Net assets, beginning	<u>532,439</u>	<u>35,915</u>	<u>568,354</u>
Net assets, ending	<u>\$ 377,047</u>	<u>\$ 44,420</u>	<u>\$ 421,467</u>

# CITY OF NEW ALBANY, MISSISSIPPI

## Combining Statement of Cash Flows - Nonmajor Proprietary Funds

For the Year Ended September 30, 2010

	Waste Disposal	New Albany/ Union County Airport	Total Nonmajor Enterprise Funds
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 667,518	\$ 14,761	\$ 682,279
Cash payments to suppliers for goods and services	(417,156)	(21,318)	(438,474)
Cash payments to employees	(314,399)	(13,000)	(327,399)
Net cash provided by (used in) operating activities	(64,037)	(19,557)	(83,594)
<b>Cash flows from non-capital financing activities:</b>			
Operating transfers, net	(80,000)	22,399	(57,601)
Net cash provided by (used in) non-capital financing activities	(80,000)	22,399	(57,601)
<b>Cash flows from capital and related financing activities:</b>			
Net additions to utility plant	-	-	-
Proceeds from sale of assets	-	-	-
Taxes and intergovernmental revenues, net	65,953	10,668	76,621
Net cash provided by (used in) capital and related financing activities	65,953	10,668	76,621
<b>Cash flows from investing activities:</b>			
Interest on investments	1,245	13	1,258
Net change in cash	(76,839)	13,523	(63,316)
Cash and cash equivalents at beginning of year	343,531	11,966	355,497
Cash and cash equivalents at end of year	\$ 266,692	\$ 25,489	\$ 292,181
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (142,590)	\$ (24,575)	\$ (167,165)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	47,251	1,845	49,096
Decrease (increase) in:			
Accounts receivable	64,253	(500)	63,753
Increase (decrease) in:			
Accounts payable and accrued expenses	(32,951)	3,673	(29,278)
Net cash provided by operating activities	\$ (64,037)	\$ (19,557)	\$ (83,594)

**CITY OF NEW ALBANY, MISSISSIPPI**

**Combining Statement of Fiduciary Net Assets**

**September 30, 2010**

	<u>Unemployment Tax</u>	<u>Flexible Spending</u>	<u>Total Fiduciary Funds</u>
<b>Assets</b>			
Cash	\$ 5,170	\$ 6,385	\$ 11,555
Accounts and interest receivable	15	-	15
Investments	<u>14,858</u>	<u>-</u>	<u>14,858</u>
Total Assets	<u>\$ 20,043</u>	<u>\$ 6,385</u>	<u>\$ 26,428</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	<u>\$ 20,043</u>	<u>\$ 6,385</u>	<u>\$ 26,428</u>
Total Liabilities	<u>\$ 20,043</u>	<u>\$ 6,385</u>	<u>\$ 26,428</u>

## Other Supplemental Information

# CITY OF NEW ALBANY, MISSISSIPPI

## Schedule of Surety Bonds for Municipal Officials

September 30, 2010

Insured	Position	Insurer	Bond
Frankie Roberts	City Clerk	Brierfield Insurance	\$ 50,000
		RLI Surety	\$ 5,000
Maxine Bradley	Deputy Clerk	Brierfield Insurance	\$ 50,000
Susan Roberts	Secretary	Brierfield Insurance	\$ 50,000
		RLI Surety	\$ 5,000
Tiffany Gates	Police Secretary	Brierfield Insurance	\$ 50,000
		Brierfield Insurance	\$ 5,000
Cindy Baker	Secretary	Brierfield Insurance	\$ 50,000
		RLI Surety	\$ 5,000
Jennifer Galloway	Court Clerk	RLI Surety	\$ 50,000
		Brierfield Insurance	\$ 5,000
Kevin Crawford	Park Director	Brierfield Insurance	\$ 50,000
Johnny Epting	Parks Dept.	Brierfield Insurance	\$ 50,000
Dean M. Armstrong	Building Inspector	RLI Surety	\$ 50,000
Herman Lesley, Jr.	Assistant Bldg. Inspector	RLI Surety	\$ 50,000
Jimmy Yarbrough	Maintenance Supervisor	Brierfield Insurance	\$ 50,000
David Grisham	Chief of Police	RLI Surety	\$ 50,000
Damon Ligon	Policeman	Brierfield Insurance	\$ 50,000
Suart Dodds	Policeman	Brierfield Insurance	\$ 50,000
Danny Barnes	Policeman	RLI Surety	\$ 50,000
Mark Cossitt	Policeman	Brierfield Insurance	\$ 25,000
Terry Dowty	Policeman	RLI Surety	\$ 25,000
Phillip Doyle	Policeman	RLI Surety	\$ 50,000
Michael Erby	Policeman	RLI Surety	\$ 50,000
Tim Erby	Policeman	RLI Surety	\$ 50,000
David Garrison	Policeman	RLI Surety	\$ 50,000
Chadrick Glasson	Policeman	RLI Surety	\$ 50,000
Gabriel Wilson	Policeman	Brierfield Insurance	\$ 50,000
Chris Glasson	Policeman	RLI Surety	\$ 50,000
Mark Golding	Policeman	RLI Surety	\$ 50,000
Jimmy Gregory	Policeman	RLI Surety	\$ 50,000
Clay Hogue	Policeman	Brierfield Insurance	\$ 50,000
Brad Jernigan	Policeman	Brierfield Insurance	\$ 50,000
Clayton Kenner	Policeman	RLI Surety	\$ 50,000
Ben Kent	Policeman	Brierfield Insurance	\$ 50,000
Frank McCollum	Policeman	RLI Surety	\$ 50,000
Jason McDaniel	Policeman	RLI Surety	\$ 50,000
Michael Pannell	Policeman	RLI Surety	\$ 50,000
Chris Robertson	Policeman	RLI Surety	\$ 50,000
James Wildman	Policeman	RLI Surety	\$ 50,000
David Robertson	Policeman	RLI Surety	\$ 50,000
Joe McDonald	Policeman	RLI Surety	\$ 50,000
Tim Kent	Mayor	Brierfield Insurance	\$ 25,000
Jeff Olson	Alderman	Mississippi Municipal	\$ 50,000
Scott Dunnam	Alderman	Mississippi Municipal	\$ 50,000
Johnny Anderson	Alderman	Mississippi Municipal	\$ 50,000
Tommie Beasley	Alderman	Mississippi Municipal	\$ 50,000
William Tucker	Alderman	Mississippi Municipal	\$ 50,000
Sherry Ausburn	Utility Department	Brierfield Insurance	\$ 50,000
Martha Cook	Utility Department	Brierfield Insurance	\$ 50,000
		Brierfield Insurance	\$ 5,000
Lawanda Treadaway	Utility Department	Brierfield Insurance	\$ 50,000
Christy Davis	Utility Department	RLI Surety	\$ 50,000
Ralph Dunning	Utility Department	Brierfield Insurance	\$ 50,000
Shelia Bates	Utility Department	Brierfield Insurance	\$ 50,000
Mary Jenkins	Utility Department	RLI Surety	\$ 50,000
Betty Williams	Utility Department	Brierfield Insurance	\$ 50,000
Regina Beaty	Utility Department	RLI Surety	\$ 50,000
Janet Freeman	Utility Department	RLI Surety	\$ 50,000

# CITY OF NEW ALBANY, MISSISSIPPI

## Schedule of Expenditures of Federal Awards

For the year ended September 30, 2010

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>Federal Grantor: Department of Justice</b>		
Pass-through Grantor: Bureau of Justice Assistance		
Program Title: Recovery Act - ARRA - Edward Byrne Memorial Justice Assistance Grant		
Grant ID: 2009-SB-B9-2483	16.804	\$ 26,079
<i>Total U.S. Department of Justice</i>		<u>26,079</u>
<b>U.S. Department of Transportation</b>		
Pass-through Grantor: Mississippi Department of Transportation		
Program Title: ARRA - Highway Planning and Construction Mill and Overlay Carter Avenue		
Project Numbers: STP-0350-00(012) LPA/105636-701000	20.205	126,319
Pass-through Grantor: Federal Aviation Administration		
Program Title: Airport Improvement Program		
Earthwork for Future Hangar Taxiway & T-Hangar		
Grant ID: 3-28-0053-010-2008	20.106	17,614
Hangar Taxiway & Aprons Phase II		
Grant ID: 3-28-0053-011-2009	20.106	141,388
Hangar Taxiway & Aprons Phase II		
Grant ID: 3-28-0053-012-2010	20.106	21,162
Pass-through Grantor: Mississippi Department of Public Safety		
Program Title: Alcohol Impaired Driving Countermeasures Incentive Grants I 154-Alcohol Countermeasures FT 2010		
Grant ID: 10-TA-224-1	20.601	47,189
<i>Total U.S. Department of Transportation</i>		<u>353,672</u>
<b>U.S. Department of Housing and Urban Development</b>		
Pass-through Grantor: Mississippi Development Authority		
Program Title: Community Development Block Grant Vuteq/Martintown Road Project		
Grant ID: 112-07-274-ED-01	14.228	139,565
<i>Total U.S. Department of Housing and Urban Development</i>		<u>139,565</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, 2010**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>Appalachian Regional Commission</b>		
Pass-through Grantor: Tennessee Valley Authority		
Program Title: Appalachian Area Development		
Vuteq/Martintown Road Project		
Contract: 0072712	23.002	\$ 54,084
<i>Total Appalachian Regional Commission</i>		<u>54,084</u>
Total expenditures of federal awards		<u>\$ 573,400</u>

The accompanying notes are an integral part of this schedule.

Note to Schedule of Expenditures of Federal Awards

CITY OF NEW ALBANY, MISSISSIPPI

For the year ended September 30, 2010

**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.

# Schedule of Findings and Questioned Costs

## CITY OF NEW ALBANY, MISSISSIPPI

For the year ended September 30, 2010

### Section I-Summary of Auditor's Results

#### Financial Statements

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

#### 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:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Identification of major programs:	

#### **CFDA**

<u>Number</u>	<u>Name of Federal Program or Cluster</u>
10.804	ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant Program
20.106	Airport Improvement Program
20.205	ARRA – Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as a low risk auditee?	Yes

Schedule of Findings and Questioned Costs (continued)

Section II-Financial Statement Findings

**Finding  
Reference  
Number**

I-1

**Material Weaknesses in Internal Control and Related Recommendations**

*Reconciliation of bank statements*

**Condition:**

The bank account established to account for receipt and disbursement of Recovery Act – Edward Byrne Memorial Justice Assistance Grant Program awards and expenditures was not reconciled during the course of the fiscal year.

**Criteria:**

Internal controls should be in place to require monthly reconciliation of all bank accounts.

**Cause:**

Internal controls over bank reconciliation procedures are inadequately designed.

**Effect:**

Although expenditures were properly reflected, the related grant revenue had not been recorded, necessitating an audit adjustment to properly reflect revenue and the actual balance of the cash account.

**Recommendation:**

All bank accounts should be reconciled on no less than a monthly basis. Reconciling differences should be researched with adjustments recorded as necessary.

**Management's Response:**

The City agrees with the finding and the recommended procedures have been implemented

**Finding  
Reference  
Number**

I-2

**Significant Deficiencies in Internal Control and Related Recommendations**

*Separation of duties*

**Condition:**

As a result of limited administrative staff, a control weakness of inadequate separation of duties was noted.

**Criteria:**

Proper internal controls dictate that there should be a separation of duties between the authorization, recording, reconciling and reporting of transactions.

**Cause:**

Budgetary constraints preclude additional administrative personnel.

**Effect:**

One person is often responsible for recording transactions in the financial records of the City and reconciling account balances.

**Recommendation:**

To the extent practicable, account balances should be reconciled by personnel independent of the recording of the underlying transactions.

**Management's Response:**

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.

Schedule of Findings and Questioned Costs (continued)

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 general purpose financial statements City of New Albany, Mississippi, as of and for the year ended September 30, 2010 and have issued our report thereon dated February 8, 2011. 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.*

February 8, 2011



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**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 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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City of New Albany, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs with reference number I-1 to be a material weakness.

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 to those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs with reference number I-2 to be a significant deficiency.

**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,

tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of New Albany, Mississippi, in a separate letter dated February 8, 2011.

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. We did not audit City of New Albany, Mississippi management's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Alderman, City of New Albany, Mississippi and management, and is not intended to be and should not be used by anyone other than these specified parties.

*Nail McKinnis P.A.*

February 8, 2011



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**Report on Compliance with Requirements Applicable to each Major Program and on  
Internal Control over Compliance in Accordance with OMB Circular A-133**

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

**Compliance**

We have audited the compliance of the City of New Albany, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2010. The City of New Albany, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility the City of New Albany, Mississippi's management. Our responsibility is to express an opinion on the City of New Albany, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of New Albany, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of New Albany, Mississippi's compliance with those requirements.

In our opinion, the City of New Albany, Mississippi complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

**Internal Control Over Compliance**

The management of the City of New Albany, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of New Albany, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and 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 in-

ternal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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

The City of New Albany, Mississippi's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of New Albany, Mississippi's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Alderman, City of New Albany, Mississippi and management, and is not intended to be and should not be used by anyone other than these specified parties.

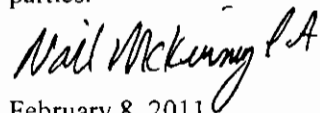
*Nail McKenney PA*  
February 8, 2011

ternal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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

The City of New Albany, Mississippi's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of New Albany, Mississippi's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Alderman, City of New Albany, Mississippi and management, and is not intended to be and should not be used by anyone other than these specified parties.

 Nail McKinnis

February 8, 2011