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FINANCIAL REPORT
CITY OF NEW ALBANY,
MISSISSIPPI

September 30, 2016



CITY OF NEW ALBANY, MISSISSIPPI

Financial Statements

For the Year Ended September 30, 2016

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of New Albany, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Albany, Mississippi, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 14 and budgetary comparison information and the Schedule of the City's Proportionate Share of the Pension Liability and Schedule of City Contributions – PERS related to the City's participation in the Public Employee's Retirement System of Mississippi, on pages 48 through 54, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of New Albany's internal control over financial reporting and compliance.

Nail McKinney P.A.

Tupelo, Mississippi
February 17, 2017

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Management's Discussion and Analysis (unaudited)

CITY OF NEW ALBANY, MISSISSIPPI

MANAGEMENT DISCUSSION AND ANALYSIS

As management of City of New Albany, Mississippi, we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which begin on page 15.

FINANCIAL HIGHLIGHTS

- The assets of the City of New Albany, Mississippi exceeded its liabilities at September 30, 2016 by \$40,306,872 (Net position). The majority of the City's net position is invested in capital assets or unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies. The remaining \$467,590 is restricted for specific purposes. Unrestricted net position decreased by \$949,802, restricted net position increased by \$8,818, and invested in capital assets increased by \$335,995.
- As of the close of the current fiscal year, the City of New Albany's proprietary funds reported combined ending net position of \$30,308,406. 88.8% of this total amount or \$26,902,809 is invested in capital assets, 9.7% or \$2,938,540 is unrestricted, and the remainder of 1.5% or \$467,057 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 \$5,093,332. The unassigned part of the fund balance, which is available for use within the City's policies, is \$1,679,627, the assigned part, which is intended for use for specific purposes, is \$2,908,322, the committed part, which has constraints imposed by Board action, is \$500,000 and the restricted part, which has outside constraints, is \$5,383.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$1,679,627.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to the financial statements. The Statement of Net Position and the Statement of Activities (on pages 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 Position and the Statement of Activities

Our analysis of the City as a whole begins on page 8. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?"

CITY OF NEW ALBANY, MISSISSIPPI

The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on page 11. 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 Position 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 Position and the Statement of Activities. In fact,

CITY OF NEW ALBANY, MISSISSIPPI

the City's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

- * Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the City government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accrual basis of accounting is used for fiduciary funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The City's fiduciary activities are presented in a separate Statement of Fiduciary Net Position.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-46 of this report.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net position and net position by category may serve over time as a useful indicator of government's financial position. In the case of the City of New Albany, assets exceeded liabilities by \$40,306,872 as of September 30, 2016.

The largest portion of the City's net position (96.1%) 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 POSITION

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and Other Assets	\$ 7,144,789	\$ 6,800,865	\$ 19,062,511	\$ 19,114,244	\$ 26,207,300	\$ 25,915,109
Capital Assets	12,899,655	12,861,199	35,581,964	35,884,451	48,481,619	48,745,650
Total Assets	\$ 20,044,444	\$ 19,662,064	\$ 54,644,475	\$ 54,998,695	\$ 74,688,919	\$ 74,660,759
Deferred Outflows of Resources	\$ 2,182,153	\$ 1,935,117	\$ 1,845,546	\$ 1,396,265	\$ 4,027,699	\$ 3,331,382
Long-term Liabilities	\$ 11,104,911	\$ 9,972,422	\$ 16,930,466	\$ 16,104,584	\$ 28,035,377	\$ 26,077,006
Other Liabilities	616,184	864,305	9,069,055	8,705,937	9,685,239	9,570,242
Total Liabilities	\$ 11,721,095	\$ 10,836,727	\$ 25,999,521	\$ 24,810,521	\$ 37,720,616	\$ 35,647,248
Deferred Inflows of Resources	\$ 507,036	\$ 721,387	\$ 182,094	\$ 711,645	\$ 689,130	\$ 1,433,032
Net Position						
Invested in capital assets, net of related debt	\$ 11,827,131	\$ 11,709,047	\$ 26,902,809	\$ 26,684,898	\$ 38,729,940	\$ 38,393,945
Restricted	533	533	467,057	458,239	467,590	458,772
Unrestricted	(1,829,198)	(1,670,513)	2,938,540	3,729,657	1,109,342	2,059,144
Total Net Position	\$ 9,998,466	\$ 10,039,067	\$ 30,308,406	\$ 30,872,794	\$ 40,306,872	\$ 40,911,861

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An additional portion of the City's net position (1.16%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position \$1,109,342 may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2016, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities with the exception of the unrestricted governmental activity net position. This was also the case in the prior fiscal year.

Analysis of the City's Operations – Overall the City had a decrease in net position of \$949,802.

Governmental Activities: Governmental activities decreased the net position by \$40,601 or 6.7% of the total loss in net position. Invested in capital assets, net of related debt increased by \$118,084 primarily due to construction in progress and decreases in related debt. Unrestricted net position decreased by \$158,685 primarily due to decreases in debt related to capital assets. Restricted net assets remained the same.

Total revenues for governmental activities decreased from the previous year by \$204,482. General revenues had a net decrease of 0.58%, primarily due to an increase in property tax and sales tax collections and decreases in transfers. Program revenues had a 10.0% net decrease, which was primarily due to increased charges for services and decreases in capital grants and contributions received in the prior year for airport grant activity.

Total expenses for governmental activities increased \$1,014,787 or 13.5%. This increase was related to increases in General Government, Public Safety, Public Works and Culture and Recreation.

- General Government expenses increased \$132,296 or 6.6%. Increased costs in General Government are due primarily to street repairs.
- Public Safety expenses increased \$633,966 or 18.9%. Increased costs in Public Safety are due primarily to raised salaries and benefits.
- Public Works expenses increased \$76,852 or 7.8%. Increased costs in Public Works are due primarily to increases in benefits and supplies.
- Culture and Recreation expenses increased \$170,635 or 17.4%. Increased costs in Culture and Recreation are due primarily to benefits and capital outlay.

Business-type Activities: Net Position from business-type activities decreased \$564,388 or 1.8% from \$30,872,794 to \$30,308,406 accounting for the 93.3% of the total decrease in net position. Invested in capital assets, net of related debt increased by \$217,911 primarily due to some distribution plant projects and the purchase of machinery and equipment. Unrestricted net position decreased by \$791,117 primarily due to required recording of pension expenses and decreased volume of gas sales due to a temperate winter.

Total revenues for business-type activities decreased \$1,975,418 or 5.2%. This decrease was primarily due to decrease of \$1,353,630 in the Gas Department charges for services, decrease of \$194,446 in the Electric Department charges for services, increase of \$316,492 in Water & Sewer Department's charges in services and decrease in capital grants and contributions of \$968,181 related to Airport improvements.

Total expenses for the business-type activities decreased \$1,148,430 or 3.0%. This decrease was primarily due to an increase of \$173,970 in the Water and Sewer Department, an decrease of \$1,126,821 in the Gas Department and a decrease of \$163,765 in the Electric Department.

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The charges for services and costs of electricity were down approximately the same amount resulting in comparable margins between years. Due to significantly decreased gas sales and the inability to cut costs as sharply, the margin dropped from previous years.

The following table provides a summary of the City's Operations for the year-end September 30, 2016 with comparative totals for year ended September 30, 2015

CITY OF NEW ALBANY'S CHANGES IN NET POSITION

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 834,567	\$ 627,701	\$ 36,773,281	\$ 38,015,106	\$ 37,607,848	\$ 38,642,807
Operating grants and contributions	701,596	684,060	14,209	14,102	715,805	698,162
Capital grants and contributions	613,223	1,077,721	-	968,181	613,223	2,045,902
General Revenues:						
Property Taxes	1,574,640	1,461,461	59,846	56,286	1,634,486	1,517,747
Sales Tax	3,266,169	3,164,035	-	-	3,266,169	3,164,035
Special City Sales Tax	742,612	701,684	-	-	742,612	701,684
Franchise Taxes	62,377	48,652	-	-	62,377	48,652
Investment Earnings	17,287	18,008	23,968	23,236	41,255	41,244
Special Item-Gain(Loss) on Sale/Disposal of assets	725	4,167	-	-	725	4,167
Transfers	524,131	754,320	(524,131)	(754,320)	-	-
Total Revenues	<u>\$ 8,337,327</u>	<u>\$ 8,541,809</u>	<u>\$ 36,347,173</u>	<u>\$ 38,322,591</u>	<u>\$ 44,684,500</u>	<u>\$ 46,864,400</u>
Expenses:						
General Government	\$ 2,127,058	\$ 1,994,762	\$ -	\$ -	\$ 2,127,058	\$ 1,994,762
Depreciation expense not included in other functions	132,721	129,121	-	-	132,721	129,121
Public Safety	3,987,858	3,353,892	-	-	3,987,858	3,353,892
Public Works	1,063,816	986,964	-	-	1,063,816	986,964
Culture and Recreation	1,154,102	983,467	-	-	1,154,102	983,467
Interest on long-term debt	44,873	47,435	-	-	44,873	47,435
Water and Sewer	-	-	2,688,186	2,514,216	2,688,186	2,514,216
Gas	-	-	3,430,518	4,557,339	3,430,518	4,557,339
Electric	-	-	29,979,009	30,142,774	29,979,009	30,142,774
Waste Disposal	-	-	764,091	795,598	764,091	795,598
Airport	-	-	49,760	50,067	49,760	50,067
Total expenses	<u>\$ 8,510,428</u>	<u>\$ 7,495,641</u>	<u>\$ 36,911,564</u>	<u>\$ 38,059,994</u>	<u>\$ 45,421,992</u>	<u>\$ 45,555,635</u>
Increase (Decrease) in net net assets before transfers	<u>\$ (173,101)</u>	<u>\$ 1,046,168</u>	<u>\$ (564,391)</u>	<u>\$ 262,597</u>	<u>\$ (737,492)</u>	<u>\$ 1,308,765</u>
Transfers						
Increase in net assets	<u>\$ (173,101)</u>	<u>\$ 1,046,168</u>	<u>\$ (564,391)</u>	<u>\$ 262,597</u>	<u>\$ (737,492)</u>	<u>\$ 1,308,765</u>
Net position-October 1	10,039,067	14,604,823	30,872,797	37,223,159	40,911,864	51,827,982
Adjustments	132,500	(5,611,924)	-	(6,612,962)	132,500	(12,224,886)
Net Position-September 30	<u>\$ 9,998,466</u>	<u>\$ 10,039,067</u>	<u>\$ 30,308,406</u>	<u>\$ 30,872,794</u>	<u>\$ 40,306,872</u>	<u>\$ 40,911,861</u>

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, unassigned 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 \$5,093,332. Approximately 33.0% of this total amount (\$1,679,627) constitutes unassigned fund balance. The remainder of the fund balance is restricted (\$5,383), committed (\$500,000) or assigned (\$2,908,322).

General Fund Budgetary Highlights – In the general fund, the City budgeted for a decrease in the fund balance on a budget basis of \$46,953. Due to actual expenses being less than budgeted, the actual fund balance increased for fiscal year 2016 by \$223,281.

The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in an increase in revenues of \$91,984 and an increase in expenditures of \$114,802.

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

Unrestricted net position of the respective enterprise funds are Water System - (\$331,472), Sewer System - (\$453,449), Gas System - \$1,476,989, Electric Department - \$2,069,369, Waste Disposal - \$151,033, and NA/UC Airport – \$26,070. The total of these unrestricted net assets is \$2,938,540. Changes in net position for enterprise funds in 2016 were as follows: Water and Sewer – \$42,437, Gas System – (\$321,848), Electric Department - (\$357,564), Waste Disposal – \$79,830, and NA/UC Airport – (\$7,246). The total change in unrestricted net assets was \$(564,391).

CAPITAL ASSETS

The City of New Albany's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to \$48,481,619 (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 2.5% (4.3% increase in governmental activities and 2.0% increase in business-type activities).

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

- Airport improvements including update of master plan, obstruction removal, fuel tank, rehab runways and visual guidance project.
- Improvements to the Tallahatchie Trails including extending the walking trail and drainage project.
- The Electric Department added two new substation breakers to better segment loads for downtown.
- The Electric Department added a new line truck and three new crew trucks and the Gas Department added two new crew trucks.
- The Gas Department added about 3 miles of new gas mains and services.

CITY OF NEW ALBANY, MISSISSIPPI

GOVERNMENTAL FUND ACTIVITIES

Asset Classification	Balance 10/1/2015	Additions	Deletions	Balance 9/30/2016
Capital Asset Values				
Land	\$ 1,109,750	\$ -	\$ -	\$ 1,109,750
Construction in Progress	1,255,792	382,515		1,638,307
Timber Rights	10,000			10,000
Buildings	3,394,151			3,394,151
Improvements other than buildings	6,271,179	183,322		6,454,501
Machinery and Equipment	3,666,291	200,617	(33,238)	3,833,670
Road Network	2,623,770	84,896		2,708,666
Bridge Network	746,935			746,935
				-
Total at Historical Cost	\$ 19,077,868	\$ 851,350	\$ (33,238)	\$ 19,895,980
Less: Capital Asset Accumulated Depreciation				
Buildings	(965,536)	(110,223)		(1,075,759)
Improvements other than buildings	(1,509,457)	(297,942)		(1,807,399)
Machinery and Equipment	(2,473,436)	(290,584)	33,238	(2,730,782)
Road Network	(1,091,249)	(97,926)		(1,189,175)
Bridge Network	(176,991)	(16,219)		(193,210)
				-
Total Accumulated Depreciation	\$ (6,216,669)	\$ (812,894)	\$ 33,238	\$ (6,996,325)
Governmental Activities Capital Assets, Net	\$ 12,861,199	\$ 38,456	\$ -	\$ 12,899,655

BUSINESS-TYPE ACTIVITIES

Asset Classification	Balance 10/1/2015	Additions	Deletions	Balance 9/30/2016
Capital Asset Values				
Land	\$ 187,853	\$ 2,373		\$ 190,226
Construction in Progress	304,824		(176,389)	128,435
Distribution Plant	62,579,735	1,263,406	(201,275)	63,641,866
Machinery and Equipment	5,816,197	563,434	(38,426)	6,341,205
				-
Total at Historical Cost	\$ 68,888,609	\$ 1,829,213	\$ (416,090)	\$ 70,301,732
Less: Capital Asset Accumulated Depreciation				
Distribution Plant	(28,741,343)	(1,714,257)	322,072	(30,133,528)
Machinery and Equipment	(4,262,815)	(343,060)	19,635	(4,586,240)
				-
Total Accumulated Depreciation	\$ (33,004,158)	\$ (2,057,317)	\$ 341,707	\$ (34,719,768)
Business-Type Activities Capital Assets, Net	\$ 35,884,451	\$ (228,104)	\$ (74,383)	\$ 35,581,964

Additional information on the City of New Albany's capital assets can be found in note 5 on pages 34 and 35.

CITY OF NEW ALBANY, MISSISSIPPI

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of New Albany had a total bonded debt, capital lease, refunding bond premiums, compensated absences and notes payable of \$11,169,616. Of this amount, \$1,197,597 represents notes payable by governmental activities, \$30,525 capital lease obligations, \$220,339 compensated absences and \$1,042,000 bonds payable by governmental activities, \$22,618 represents refunding bond premium, \$5,293,814 represents bonds paid by water and sewer revenues, \$2,899,826 represents bonds paid by electric revenues, and \$462,897 represents notes payable by proprietary funds.

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

	Governmental Activities		Business-type Activities		Totals	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Bonds Payable	\$1,042,000	\$1,113,000	\$ 8,193,640	\$ 8,688,220	\$ 9,235,640	\$ 9,801,220
Capital Lease	30,525	9,152			30,525	39,152
Notes Payable	1,197,597	1,281,438	462,897	487,604	1,660,494	1,769,042
Compensated Absences	140,516	140,128	79,823	77,610	220,339	217,738
Refunding Bond Premiums			22,618	23,729	22,618	23,729
Totals	\$2,410,638	\$2,573,718	\$ 8,758,978	\$ 9,277,163	\$ 11,169,616	\$ 11,850,881

During the fiscal year, the City's total debt decreased by \$681,265 or 5.7%. Compensated absences were increased in both governmental and business-type activities. Debt in the amount of \$683,866 matured or refinanced during the year.

Additional information on the City of New Albany's long-term debt can be found in note 7 on pages 36-38 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 2017 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 2017 year.

The general fund budget for the year 2017 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 2017 general fund budget shows an increase in the expenditures. The increase in expenditures is due mainly to budgeted increases of 3.8% in personal services and 8.1% in capital outlay. If these budgeted estimates are realized the City's budgeted general fund balance is expected to remain the same by the close of 2017.

The City of New Albany for the 2017 year is lining up several things for future growth in the City. The City is adding additional soccer field lighting to the Sportsplex. A recreational trail and drainage project is nearing completion on Main Street. The City is seeking state funding for additional upgrades and improvements to bicycle trails and beautification projects. At this time these are the only major projects that the City has planned.

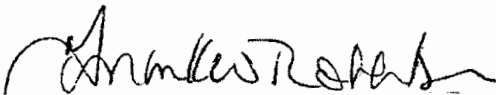
CITY OF NEW ALBANY, MISSISSIPPI

The Electric and Gas Department budget for the year 2017 shows decreases in cost of power and gas having to be purchased. Electric and Gas Departments have budget decreases and Water and Sewer Departments have budget increases in metered sales. As a result for the City's business-type activities, we expect that the net positions do not have significant change by the close of 2017.

During 2017 the Electric, Gas, Water and Sewer Departments plan to begin several new projects. The Electric Department is planning to reconfigure the grounding system and re-conductor the circuit feeding downtown at the primary substation. The Gas Department is beginning a 16 mile, \$2.5 million system expansion to include a new tap station in Marshall County that will potentially add 250 customers. The expansion will be partially funded by a \$600,000 Community Development Block Grant. The Water Department plans a targeted replacement of 1,000 to 2,000 feet of older water distribution mains. The Sewer Department is developing comprehensive plans to address capacity and rainwater issues in the collection system and to address needs at the existing treatment plant. The entire utility department is also finalizing the design and identifying the location for new administrative offices and beginning the RFP process for Automated Metering Systems for the Electric, Gas and Water systems.

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 Position

September 30, 2016

Assets	Governmental Activities	Business-type Activities	Total
Cash	\$ 2,966,320	\$ 10,102,943	\$ 13,069,263
Temporary cash investments	2,220,587	1,937,304	4,157,891
Accounts and interest receivable	805,632	4,888,137	5,693,769
Prepaid expenses	16,854	43,618	60,472
Materials and supplies	-	952,096	952,096
Capital assets:			
Land, improvements and construction in progress	2,758,057	318,661	3,076,718
Other capital assets, net of depreciation	10,141,598	35,263,303	45,404,901
Lease receivable	295,853	-	295,853
Other assets	-	1,113,729	1,113,729
Notes receivable	839,543	24,684	864,227
Total Assets	<u>20,044,444</u>	<u>54,644,475</u>	<u>74,688,919</u>
Deferred Outflows of Resources			
Pension plan	2,182,153	1,813,383	3,995,536
TVA Heat Pump Program	-	32,163	32,163
	<u>2,182,153</u>	<u>1,845,546</u>	<u>4,027,699</u>
Liabilities			
Accounts payable and accrued liabilities	441,181	6,599,782	7,040,963
Customer deposits	-	1,933,963	1,933,963
Noncurrent liabilities:			
Due within one year	175,003	535,310	710,313
Due in more than one year	2,235,635	8,223,668	10,459,303
Pension liability	8,869,276	8,706,798	17,576,074
Total Liabilities	<u>11,721,095</u>	<u>25,999,521</u>	<u>37,720,616</u>
Deferred Inflows of Resources			
Advance payments received	444,650	32,167	476,817
Pension	23,568	149,927	173,495
Lease interest	38,818	-	38,818
	<u>507,036</u>	<u>182,094</u>	<u>689,130</u>
Net Position			
Invested in capital assets, net of related debt	11,827,131	26,902,809	38,729,940
Restricted for:			
Debt service	533	467,057	467,590
Unrestricted	(1,829,198)	2,938,540	1,109,342
Total Net Position	<u>\$ 9,998,466</u>	<u>\$ 30,308,406</u>	<u>\$ 40,306,872</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, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating	Capital	Governmental	Business-type	Total
		Services	Grants and Contributions	Grants and Contributions	Activities	Activities	
Governmental Activities:							
General government	\$ 2,127,058	\$ 182,452	\$ 108,305	\$ 611,264	\$ (1,225,037)	\$ -	\$ (1,225,037)
Depreciation expense	132,721	-	-	-	(132,721)	-	(132,721)
Public safety	3,987,858	412,754	196,988	1,959	(3,376,157)	-	(3,376,157)
Public works	1,063,816	-	335,592	-	(728,224)	-	(728,224)
Culture and recreation	1,154,102	239,361	60,711	-	(854,030)	-	(854,030)
Interest	44,873	-	-	-	(44,873)	-	(44,873)
Total	<u>8,510,428</u>	<u>834,567</u>	<u>701,596</u>	<u>613,223</u>	<u>(6,361,042)</u>	<u>-</u>	<u>(6,361,042)</u>
Business-type Activities:							
Water System	1,371,594	1,403,715	-	-	-	32,121	32,121
Sewer System	1,316,592	1,214,985	-	-	-	(101,607)	(101,607)
Gas System	3,430,518	3,743,999	-	-	-	313,481	313,481
Electric	29,979,009	29,609,708	-	-	-	(369,301)	(369,301)
Waste Disposal	764,091	779,726	3,541	-	-	19,176	19,176
Airport	49,760	21,148	10,668	-	-	(17,944)	(17,944)
Total	<u>36,911,564</u>	<u>36,773,281</u>	<u>14,209</u>	<u>-</u>	<u>-</u>	<u>(124,074)</u>	<u>(124,074)</u>
Total Primary Government	<u>\$45,421,992</u>	<u>\$37,607,848</u>	<u>\$ 715,805</u>	<u>\$ 613,223</u>	<u>(6,361,042)</u>	<u>(124,074)</u>	<u>(6,485,116)</u>
General Revenues:							
Taxes:							
General purpose levies					1,574,640	59,846	1,634,486
Sales taxes					3,266,169	-	3,266,169
Special city sales taxes					742,612	-	742,612
Franchise taxes					62,377	-	62,377
Investment earnings					17,287	23,968	41,255
Gain (loss) on asset disposals					725	-	725
Transfers					524,131	(524,131)	-
Total					<u>6,187,941</u>	<u>(440,317)</u>	<u>5,747,624</u>
Change in Net Position					<u>(173,101)</u>	<u>(564,391)</u>	<u>(737,492)</u>
Net Position, beginning - as previously stated					10,039,067	30,872,797	40,911,864
Prior period adjustment					132,500	-	132,500
Net Position, beginning - as restated					<u>10,171,567</u>	<u>30,872,797</u>	<u>41,044,364</u>
Net Position, ending					<u>\$ 9,998,466</u>	<u>\$30,308,406</u>	<u>\$40,306,872</u>

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



CITY OF NEW ALBANY, MISSISSIPPI

Balance Sheet - Governmental Funds

September 30, 2016

		<u>Major Funds</u>			
		<u>General Fund</u>	<u>Tourism Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash		\$ 1,577,253	\$ 320,356	\$ 1,068,711	\$ 2,966,320
Investments		2,220,587	-	-	2,220,587
Prepaid expenses		2,169	-	-	2,169
Due from other funds		-	95,585	-	95,585
Accounts receivable		679,329	130,382	2,621	812,332
Lease receivable		-	-	295,853	295,853
Total Assets		<u>\$ 4,479,338</u>	<u>\$ 546,323</u>	<u>\$ 1,367,185</u>	<u>\$ 6,392,846</u>
LIABILITIES					
Liabilities:					
Accounts payable and accrued expenses		\$ 325,514	\$ 41,692	\$ 96,516	\$ 463,722
Due to other funds		95,585	-	-	95,585
Total Liabilities		<u>421,099</u>	<u>41,692</u>	<u>96,516</u>	<u>559,307</u>
DEFERRED INFLOWS OF RESOURCES					
Advance payments received		82,150	362,500	-	444,650
Lease principal		-	-	256,738	256,738
Lease interest		-	-	38,819	38,819
		<u>82,150</u>	<u>362,500</u>	<u>295,557</u>	<u>740,207</u>
FUND BALANCES					
Restricted		-	-	5,383	5,383
Committed		500,000	-	-	500,000
Assigned		1,796,462	142,131	969,729	2,908,322
Unassigned		1,679,627	-	-	1,679,627
Total Fund Balances		<u>3,976,089</u>	<u>142,131</u>	<u>975,112</u>	<u>5,093,332</u>
Total Liabilities, Deferred Inflows & Fund Balances		<u>\$ 4,479,338</u>	<u>\$ 546,323</u>	<u>\$ 1,367,185</u>	<u>\$ 6,392,846</u>

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

CITY OF NEW ALBANY, MISSISSIPPI

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

September 30, 2016

	<u>Amount</u>
Total Fund Balance - Total Governmental Funds	\$ 5,093,332
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets used in governmental activities are not financial resources and are, therefore, not reported in governmental funds, net of accumulated depreciation of \$ 6,996,323.	12,899,653
2. Other long-term assets are not available to pay for current period expenditures and are, therefore, not recognized in the governmental funds.	1,110,970
3. Long-term liabilities, including bonds payable, are not due and payable in the current period and are, therefore, not reported in governmental funds.	(2,254,282)
4. Accrued compensated absences are not due and payable in the current year and are, therefore, not reported in the governmental funds.	(140,516)
5. Pension liabilities, including related deferred outflows and inflows are not payable in the current year and are, therefore, not reported in governmental funds.	<u>(6,710,691)</u>
Total Net Position - Governmental Activities	<u>\$ 9,998,466</u>

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

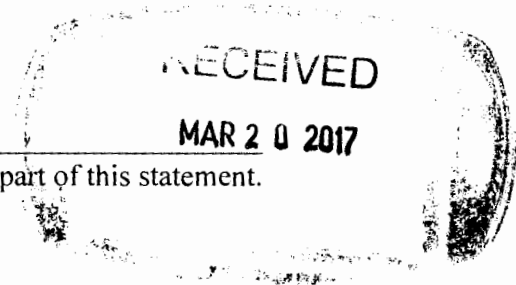
CITY OF NEW ALBANY, MISSISSIPPI

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

For the Year Ended September 30, 2016

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Tourism Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 1,436,656	\$ -	\$ 82,587	\$ 1,519,243
Licenses and permits	158,999	-	-	158,999
Intergovernmental revenue	4,012,923	758,326	562,252	5,333,501
Charges for services	212,252	-	90	212,342
Fines and forfeitures	324,729	-	75,742	400,471
Investment earnings	7,298	131	9,858	17,287
Miscellaneous	90,230	60,301	20,823	171,354
Total Revenues	<u>6,243,087</u>	<u>818,758</u>	<u>751,352</u>	<u>7,813,197</u>
Expenditures:				
General government	1,419,270	512,280	1,527	1,933,077
Public safety	3,145,904	-	66,220	3,212,124
Public works	706,075	-	-	706,075
Culture and recreation	770,437	-	34,875	805,312
Debt service:				
Principal	-	71,000	24,587	95,587
Interest and other charges	-	33,390	11,483	44,873
Capital outlay	<u>475,022</u>	<u>25,384</u>	<u>491,553</u>	<u>991,959</u>
Total Expenditures	<u>6,516,708</u>	<u>642,054</u>	<u>630,245</u>	<u>7,789,007</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(273,621)</u>	<u>176,704</u>	<u>121,107</u>	<u>24,190</u>
Other Financing Sources (Uses):				
Transfers in	694,000	-	62,856	756,856
Transfers out	(186,826)	(45,000)	(899)	(232,725)
Lease principal payments	<u>-</u>	<u>-</u>	<u>28,591</u>	<u>28,591</u>
Total Other Financing Sources (Uses)	<u>507,174</u>	<u>(45,000)</u>	<u>90,548</u>	<u>552,722</u>
Net Change in Fund Balances	<u>233,553</u>	<u>131,704</u>	<u>211,655</u>	<u>576,912</u>
Fund balances - beginning, as previously stated	<u>3,610,036</u>	<u>10,427</u>	<u>763,457</u>	<u>4,383,920</u>
Prior period adjustment	<u>132,500</u>	<u>-</u>	<u>-</u>	<u>132,500</u>
Fund balances - beginning, as restated	<u>3,742,536</u>	<u>10,427</u>	<u>763,457</u>	<u>4,516,420</u>
Fund balances - ending	<u>\$ 3,976,089</u>	<u>\$ 142,131</u>	<u>\$ 975,112</u>	<u>\$ 5,093,332</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, 2016

	<u>Amount</u>
Net Change in Fund Balances - Total Governmental Funds	\$ 576,912
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.	38,457
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.	-
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.	(388)
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.	(28,591)
5. The excess of pension expense recognized in accordance with GASB 68 in excess of amounts requiring the use of current financial resources are not reported as expenditures in the governmental funds.	(863,705)
6. Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.	<u>104,214</u>
Change in Net Position of Governmental Activities	<u>\$ (173,101)</u>

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

CITY OF NEW ALBANY, MISSISSIPPI
Statement of Fund Net Position - Proprietary Funds
September 30, 2016

	Major Funds				Other Enterprise Funds	Total Enterprise Funds
	Water System	Sewer System	Gas System	Electric Department		
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 77,976	\$ 682,831	\$ 1,967,151	\$ 6,672,414	\$ 702,571	\$ 10,102,943
Investments	492,043	-	862,268	582,993	-	1,937,304
Materials and supplies	-	-	419,486	532,610	-	952,096
Accounts receivable, net of allowance for doubtful accounts of \$ 120,734	563,076	184,865	189,273	3,895,056	55,867	4,888,137
Other receivables	-	-	80	1,113,649	-	1,113,729
Prepayments	-	-	11,833	31,785	-	43,618
Total current assets	<u>1,133,095</u>	<u>867,696</u>	<u>3,450,091</u>	<u>12,828,507</u>	<u>758,438</u>	<u>19,037,827</u>
Noncurrent Assets						
Notes receivable	-	-	-	24,684	-	24,684
Capital assets:						
Land	56,140	2,373	104,395	27,318	-	190,226
Distribution plant	10,620,521	11,038,989	9,164,949	32,817,407	-	63,641,866
Machinery and equipment	311,205	-	1,355,004	3,614,698	1,060,298	6,341,205
Construction in progress	-	-	-	128,435	-	128,435
Less: accumulated depreciation	<u>(5,731,478)</u>	<u>(3,588,420)</u>	<u>(7,596,532)</u>	<u>(16,883,138)</u>	<u>(920,200)</u>	<u>(34,719,768)</u>
Total non-current assets	<u>5,256,388</u>	<u>7,452,942</u>	<u>3,027,816</u>	<u>19,729,404</u>	<u>140,098</u>	<u>35,606,648</u>
Total assets	<u>6,389,483</u>	<u>8,320,638</u>	<u>6,477,907</u>	<u>32,557,911</u>	<u>898,536</u>	<u>54,644,475</u>
DEFERRED OUTFLOWS OF RESOURCES						
Pension plan	219,840	110,491	314,672	1,057,842	110,538	1,813,383
TVA Heat Pump Program	-	-	-	32,163	-	32,163
	<u>219,840</u>	<u>110,491</u>	<u>314,672</u>	<u>1,090,005</u>	<u>110,538</u>	<u>1,845,546</u>
LIABILITIES						
Current liabilities						
Accounts payable and accrued expenses	629,230	495,215	339,285	5,093,942	42,110	6,599,782
Customer deposits	124,881	-	511,416	1,297,666	-	1,933,963
Current maturities of long-term debt	32,374	235,142	-	267,794	-	535,310
Total current liabilities	<u>786,485</u>	<u>730,357</u>	<u>850,701</u>	<u>6,659,402</u>	<u>42,110</u>	<u>9,069,055</u>
Non-current liabilities						
Accrual for compensated absences	-	-	9,569	70,254	-	79,823
Notes payable	-	460,373	-	-	-	460,373
Bonds payable	1,641,440	3,410,000	-	2,632,032	-	7,683,472
Pension liability	902,563	493,388	1,423,721	5,239,085	648,041	8,706,798
Total non-current liabilities	<u>2,544,003</u>	<u>4,363,761</u>	<u>1,433,290</u>	<u>7,941,371</u>	<u>648,041</u>	<u>16,930,466</u>
Total liabilities	<u>3,330,488</u>	<u>5,094,118</u>	<u>2,283,991</u>	<u>14,600,773</u>	<u>690,151</u>	<u>25,999,521</u>
DEFERRED INFLOWS OF RESOURCES						
Pension plan	2,398	1,311	3,783	140,713	1,722	149,927
TVA Heat Pump Program	-	-	-	32,167	-	32,167
	<u>2,398</u>	<u>1,311</u>	<u>3,783</u>	<u>172,880</u>	<u>1,722</u>	<u>182,094</u>
NET POSITION						
Invested in capital assets, net of related debt	3,582,574	3,347,427	3,027,816	16,804,894	140,098	26,902,809
Restricted	25,335	441,722	-	-	-	467,057
Unrestricted	<u>(331,472)</u>	<u>(453,449)</u>	<u>1,476,989</u>	<u>2,069,369</u>	<u>177,103</u>	<u>2,938,540</u>
Total net position	<u>\$ 3,276,437</u>	<u>\$ 3,335,700</u>	<u>\$ 4,504,805</u>	<u>\$ 18,874,263</u>	<u>\$ 317,201</u>	<u>\$ 30,308,406</u>

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

CITY OF NEW ALBANY, MISSISSIPPI

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

For the Year Ended September 30, 2016

	Major Funds				Other Enterprise Funds	Total Enterprise Funds
	Water System	Sewer System	Gas System	Electric Department		
Operating revenues:						
Charges for services	\$ 1,375,760	\$ 1,202,265	\$ 3,708,506	\$ 29,609,708	\$ 800,874	\$ 36,697,113
Other	27,955	12,720	35,493	-	-	76,168
Total operating revenues	1,403,715	1,214,985	3,743,999	29,609,708	800,874	36,773,281
Operating expenses:						
Natural gas purchased	-	-	1,600,146	-	-	1,600,146
Operation and maintenance	1,145,176	946,458	1,541,282	3,380,321	789,717	7,802,954
Purchased power	-	-	-	24,193,891	-	24,193,891
Depreciation and amortization	211,664	237,940	288,491	1,087,411	24,134	1,849,640
Tax equivalents	-	-	-	1,201,608	-	1,201,608
Total operating expenses	1,356,840	1,184,398	3,429,919	29,863,231	813,851	36,648,239
Operating income (loss)	46,875	30,587	314,080	(253,523)	(12,977)	125,042
Non-operating revenues (expenses):						
Interest income	1,673	61	9,671	11,737	826	23,968
Interest expense	(14,754)	(132,194)	(599)	(114,239)	-	(261,786)
Non-operating expenses	-	-	-	(1,539)	-	(1,539)
Property taxes	-	-	-	-	59,846	59,846
Intergovernmental revenue	-	-	-	-	14,209	14,209
Total nonoperating revenues (expenses)	(13,081)	(132,133)	9,072	(104,041)	74,881	(165,302)
Income (loss) before operating transfers	33,794	(101,546)	323,152	(357,564)	61,904	(40,260)
Transfers in (out)	(3,327,057)	3,437,246	(645,000)	-	10,680	(524,131)
Change in net position	(3,293,263)	3,335,700	(321,848)	(357,564)	72,584	(564,391)
Net position, beginning	6,569,700	-	4,826,653	19,231,827	244,617	30,872,797
Net position, ending	\$ 3,276,437	\$ 3,335,700	\$ 4,504,805	\$ 18,874,263	\$ 317,201	\$ 30,308,406

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, 2016

	Major Funds				Other Enterprise Funds	Total Enterprise Funds
	Water System	Sewer System	Gas System	Electric Department		
Cash flows from operating activities:						
Receipts from customers	\$ 1,332,012	\$ 1,027,137	\$ 3,742,826	\$ 29,917,357	\$ 803,384	\$ 36,822,716
Payments to suppliers	(767,054)	(50,817)	(2,241,821)	(24,962,747)	(425,500)	(28,447,939)
Payments to employees	(458,612)	(370,997)	(904,363)	(2,749,381)	(324,803)	(4,808,156)
Net cash provided (used) by operating activities	106,346	605,323	596,642	2,205,229	53,081	3,566,621
Cash flows from non-capital financing activities:						
Transfers from (to) other funds	(329,659)	441,721	(645,000)	(1,068,614)	10,680	(1,590,872)
Net cash provided (used) in non-capital financing activities	(329,659)	441,721	(645,000)	(1,068,614)	10,680	(1,590,872)
Cash flows from capital and related financing activities:						
Taxes and intergovernmental revenues, net	-	-	-	-	74,055	74,055
Payments for acquisition of capital assets	(128,943)	(2,373)	(306,557)	-	(140,937)	(578,810)
Principal payments on long-term debt	(31,501)	(229,707)	-	(258,080)	-	(519,288)
Net additions to utility plant	-	-	-	(968,343)	-	(968,343)
Interest paid on long-term debt	(14,754)	(132,194)	(599)	(114,239)	-	(261,786)
Net cash provided by (used in) capital and related financing activities	(175,198)	(364,274)	(307,156)	(1,340,662)	(66,882)	(2,254,172)
Cash flows from investing activities:						
Interest on investments	1,673	61	9,675	11,737	826	23,972
Increase in notes receivable	-	-	-	(1,389)	-	(1,389)
Cash received from maturity of certificates of deposit	-	-	-	581,832	-	581,832
Cash paid for investment in certificates of deposit	(988)	-	(1,649)	(582,993)	-	(585,630)
Net cash provided (used) by investing activities	685	61	8,026	9,187	826	18,785
Net change in cash	(397,826)	682,831	(347,488)	(194,860)	(2,295)	(259,638)
Cash and cash equivalents at beginning of year	475,802	-	2,314,639	6,867,274	704,866	10,362,581
Cash and cash equivalents at end of year	\$ 77,976	\$ 682,831	\$ 1,967,151	\$ 6,672,414	\$ 702,571	\$ 10,102,943
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 46,875	\$ 30,587	\$ 314,080	\$ (253,523)	\$ (12,977)	\$ 125,042
Nonoperating expenses	-	-	-	(1,539)	-	(1,539)
Transfers to City General Fund	-	-	-	1,068,614	-	1,068,614
Depreciation and amortization	211,664	237,940	288,491	1,087,411	24,133	1,849,639
Change in:						
Accounts receivable	(79,654)	(187,848)	(20,341)	10,068	2,510	(275,265)
Deferred outflows	-	-	-	-	38,629	38,629
Gas held in storage	-	-	(19,122)	-	-	(19,122)
Materials and supplies	-	-	16,203	75,102	-	91,305
Prepayments	-	-	-	(2,623)	-	(2,623)
Accounts payable and accrued expenses	(136,255)	495,215	(90,704)	27,605	(2,760)	293,101
Pension liability	97,540	36,026	83,375	1,139,607	3,546	1,360,094
Deferred inflows/outflows	(36,882)	(6,597)	10,385	(984,367)	-	(1,017,461)
Customer deposits	3,058	-	14,275	38,874	-	56,207
Net cash provided (used) by operating activities	\$ 106,346	\$ 605,323	\$ 596,642	\$ 2,205,229	\$ 53,081	\$ 3,566,621

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

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CITY OF NEW ALBANY, MISSISSIPPI

Statement of Fiduciary Net Position

September 30, 2016

	Agency Funds
Assets	
Cash	\$ 5,766
Accounts and interest receivable	-
Investments	<u>15,151</u>
Total Assets	<u>\$ 20,917</u>
Liabilities	
Accounts payable and accrued expenses	<u>\$ 20,917</u>
Total Liabilities	<u>\$ 20,917</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, 2016

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). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Financial Reporting Entity

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

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

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

B. Basis of Presentation

Government-Wide Financial Statements:

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

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

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

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

The City does not allocate indirect costs.

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

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

Fund Financial Statements:

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

The following fund types are used by the City:

1. Governmental Funds:

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

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

2. Proprietary Funds:

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

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

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements

September 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

3. Fiduciary Funds:

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

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

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

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

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

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

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

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

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

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

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

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

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

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

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

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

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

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

D. Financial Statement Amounts

1. Cash and Cash Equivalents:

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

2. Investments:

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

3. Inventories

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

4. Prepaid items

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

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Financial Statement Amounts (continued)

5. Capital assets:

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

	<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

6. Deferred Outflows of Resources and Deferred Inflows of Resources

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

7. Pensions

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

8. Compensated Absences:

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

9. Revenues:

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



CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Inter-fund Activity:

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

11. Restricted Resources:

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

12. Accounts Receivable:

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

13. Electric Department Year End:

Data listed in this report for the Electric Department represent balances as of June 30, 2016, and cumulative totals for the 12-month period then ending.

14. Use of Estimates:

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

15. Concentrations of Credit Risk:

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

16. Subsequent Events:

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

17. Budgets and Budgetary Accounting:

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



CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2016

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

Category 1 - Insured by FDIC or collateralized with securities held by the City or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

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

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

NOTE 3. RECEIVABLES

A summary of accounts and receivables at September 30, 2016 follows:

	<i>Accounts Receivable</i>	<i>Due from Other Governments</i>	<i>Other</i>	<i>Total Receivables</i>
Governmental activities				
General	\$ -	\$ 498,967	\$ 1,365	\$ 500,332
Tourism	-	225,967	-	225,967
Other governmental	<u>286</u>	<u>77,057</u>	<u>1,990</u>	<u>79,333</u>
Total governmental activities	<u>\$ 286</u>	<u>\$ 801,991</u>	<u>\$ 3,355</u>	<u>\$ 805,632</u>
Business-type activities				
Electric	\$ 3,895,056	\$ -	\$ -	\$ 3,895,056
Gas	189,273	-	-	189,273
Water	563,076	-	-	563,076
Sewer	184,865	-	-	184,865
Other business-type	<u>55,367</u>	<u>500</u>	<u>-</u>	<u>55,867</u>
Total business-type activities	<u>\$ 4,887,637</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 4,888,137</u>

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2016

NOTE 4. CAPITAL LEASE RECEIVABLE

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

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

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

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

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

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

Future minimum lease receivables are as follows:

	<i>Principal</i>	<i>Interest</i>
Years ending September 30:		
2017	\$ 29,606	\$ 8,355
2018	30,605	7,355
2019	31,638	6,322
2020	32,708	5,252
2021	33,814	4,146
2022-2026	<u>98,712</u>	<u>7,340</u>
	<u>\$ 257,083</u>	<u>\$ 38,770</u>

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

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2016

NOTE 5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended September 30, 2016, was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
Governmental Activities:				
Non-depreciable capital assets:				
Land	\$ 1,109,750	\$ -	\$ -	\$ 1,109,750
Construction in progress	1,255,792	382,515	-	1,638,307
Timber rights	10,000	-	-	10,000
Total non-depreciable capital assets	<u>2,375,542</u>	<u>382,515</u>	<u>-</u>	<u>2,758,057</u>
Depreciable capital assets:				
Buildings	3,394,151	-	-	3,394,151
Improvements other than buildings	6,271,179	183,322	-	6,454,501
Machinery and equipment	3,666,291	200,617	33,238	3,833,670
Road network	2,623,770	84,896	-	2,708,666
Bridge network	746,935	-	-	746,935
Total depreciable capital assets	<u>16,702,326</u>	<u>468,835</u>	<u>33,238</u>	<u>17,137,923</u>
Less accumulated depreciation for:				
Buildings	965,536	110,223	-	1,075,759
Improvements other than buildings	1,509,457	297,942	-	1,807,399
Machinery and equipment	2,473,436	290,584	33,238	2,730,782
Road network	1,091,249	97,926	-	1,189,175
Bridge network	176,991	16,219	-	193,210
Total accumulated depreciation	<u>6,216,669</u>	<u>812,894</u>	<u>33,238</u>	<u>6,996,325</u>
Net depreciable capital assets	<u>10,485,657</u>	<u>(344,059)</u>	<u>-</u>	<u>10,141,598</u>
Governmental activities capital assets	<u>\$ 12,861,199</u>	<u>\$ 38,456</u>	<u>\$ -</u>	<u>\$ 12,899,655</u>

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

General government	\$ 132,721
Public safety	193,316
Public works, including road and bridge networks	274,456
Culture and recreation	<u>212,401</u>
	<u>\$ 812,894</u>





CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2016

NOTE 5. CAPITAL ASSETS (continued)

Capital asset activity for business-type activities for the year ended September 30, 2016, was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
Business-Type Activities:				
Non-depreciable capital assets:				
Land	\$ 187,853	\$ 2,373	\$ -	\$ 190,226
Construction in progress	304,824	-	176,389	128,435
Total non-depreciable capital assets	492,677	2,373	176,389	318,661
Depreciable capital assets:				
Distribution plant	62,579,735	1,263,406	201,275	63,641,866
Machinery and equipment	5,816,197	563,434	38,426	6,341,205
Total depreciable capital assets	68,395,932	1,826,840	239,701	69,983,071
Less accumulated depreciation for:				
Distribution plant	28,741,343	1,714,257	322,072	30,133,528
Machinery and equipment	4,262,815	343,060	19,635	4,586,240
Total accumulated depreciation	33,004,158	2,057,317	341,707	34,719,768
Net depreciable capital assets	35,391,774	(230,477)	(102,006)	35,263,303
Business-Type activities capital assets	<u>\$ 35,884,451</u>	<u>\$ (228,104)</u>	<u>\$ 74,383</u>	<u>\$ 35,581,964</u>

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

Electric	\$ 1,087,411
Gas	288,491
Water	211,664
Sewer	237,940
Other non-major proprietary funds	24,133
	<u>\$ 1,849,639</u>

NOTE 6. PAYABLES

Payables at September 30, 2016, were as follows:

	<i>Vendors</i>	<i>Salaries and Benefits</i>	<i>Other</i>	<i>Total</i>
Governmental activities:				
General	\$ 225,363	\$ 31,059	\$ (210)	\$ 256,212
Tourism	37,646	3,919	3,698	45,263
Other governmental	79,128	60,578	-	139,706
Total governmental activities	<u>\$ 342,137</u>	<u>\$ 95,556</u>	<u>\$ 3,488</u>	<u>\$ 441,181</u>

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2016

NOTE 6. PAYABLES (continued)

Payables at September 30, 2016, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Business-type activities				
Electric	\$ 4,465,313	\$ 136,960	\$ 491,669	\$ 5,093,942
Gas	124,325	9,419	205,541	339,285
Water	620,189	9,041	-	629,230
Sewer	134,267	3,304	357,644	495,215
Other business-type	39,753	2,357	-	42,110
Total business-type activities	<u>\$ 5,383,847</u>	<u>\$ 161,081</u>	<u>\$ 1,054,854</u>	<u>\$ 6,599,782</u>

NOTE 7. NONCURRENT LIABILITIES

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

Governmental Activities:

As of September 30, 2016, the governmental noncurrent liabilities consisted of the following:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
Capital lease obligations	5.500%	4/1/2016	30,525
Capital improvement loan	3.000%	7/1/2029	246,920
Capital improvement loan	3.000%	9/1/2026	111,134
Capital improvement loan	2.000%	12/1/2028	839,543
G.O. improvement bond	3.000%	6/1/2028	1,042,000
Accrual for compensated absences			140,516
			<u>\$ 2,410,638</u>

Business-type Activities:

As of September 30, 2016, the noncurrent liabilities payable from proprietary fund resources consisted of the following:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
State of MS Commission on Environmental Quality	1.750%	10/31/2032	462,897
Combined Revenue Bond R-1	2.750%	3/11/2049	1,673,814
Series 2013 Refunding Bond	2.00%-3.25%	5/1/2033	3,620,000
G.O. Taxable Refunding Bond R-1	3.700%	5/16/2025	2,899,826
Refunding bond Premium			22,618
Accrual for compensated absences			79,823
			<u>\$ 8,758,978</u>

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2016

NOTE 7. NONCURRENT LIABILITIES (continued)

The following is a summary of changes in noncurrent liabilities for the year ended September 30, 2016:

	<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	\$ 1,281,438		\$ 83,841	\$ 1,197,597	\$ 86,741
Capital lease obligations	39,152	-	8,627	30,525	15,262
Bonds payable	1,113,000	-	71,000	1,042,000	73,000
Compensated absences	140,128	388	-	140,516	-
Total governmental fund debt	<u>\$ 2,573,718</u>	<u>\$ 388</u>	<u>\$ 163,468</u>	<u>\$ 2,410,638</u>	<u>\$ 175,003</u>
Business-type activities					
Bonds payable	\$ 8,688,220	\$ -	\$ 494,580	\$ 8,193,640	\$ 510,168
Refunding bond premiums	23,729	-	1,111	22,618	-
Notes payable	487,604	-	24,707	462,897	25,142
Compensated absences	77,610	2,213	-	79,823	-
Total enterprise fund debt	<u>\$ 9,277,163</u>	<u>\$ 2,213</u>	<u>\$ 520,398</u>	<u>\$ 8,758,978</u>	<u>\$ 535,310</u>

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for debt included in noncurrent liabilities as of September 30, 2016 are as follows:

<i>Year Ending September 30,</i>	<i>Governmental Activities</i>			
	<i>Bonds</i>		<i>Notes and Capital Leases</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2017	\$ 73,000	\$ 31,260	\$ 102,003	\$ 10,326
2018	76,000	29,070	104,020	9,543
2019	78,000	26,790	90,819	8,737
2020	80,000	24,450	92,932	7,905
2021	82,000	22,050	95,096	7,049
2022-2026	452,000	71,640	510,691	21,453
2027-2031	201,000	9,090	232,561	2,546
	-	-	-	-
	<u>\$ 1,042,000</u>	<u>\$ 214,350</u>	<u>\$ 1,228,122</u>	<u>\$ 67,559</u>

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2016

NOTE 7. NONCURRENT LIABILITIES (continued)

<i>Year Ending September 30,</i>	<i>Business Type Activities</i>			
	<i>Bonds</i>		<i>Note Payable MSDEQ</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2017	\$ 510,168	\$ 239,143	\$ 25,142	\$ 7,900
2018	526,148	223,964	25,586	7,456
2019	542,534	208,280	26,037	7,005
2020	559,338	192,076	26,497	6,545
2021	576,578	175,339	26,964	6,545
2022-2026	2,867,531	311,265	142,126	23,085
2027-2031	1,299,260	291,614	155,112	10,098
2032-2036	489,375	140,719	35,433	1,288
2037-2041	296,439	93,621	-	-
2042-2046	340,081	49,979	-	-
2047-2050	186,188	6,651	-	-
	<u>\$ 8,193,640</u>	<u>\$ 1,932,651</u>	<u>\$ 462,897</u>	<u>\$ 69,922</u>

Bonds issued by the Water & Sewer System require the System to establish a bond cushion fund, a depreciation fund, and a contingent fund. The System has established and maintains balances in these funds aggregating \$ 467,057, which is consistent, in all material respects, with the covenants contained in the related bond issues. The balance of these accounts is included in restricted net position on the statement of net position.

NOTE 8. CAPITAL LEASE OBLIGATIONS

The City has entered into certain capital equipment leases. The lease terms, which vary by agreement, call for monthly or annual payments and contain a bargain purchase option or otherwise convey title at the end of the lease term. The underlying leased equipment is included in capital assets at a cost basis of \$ 57,166 with related accumulated depreciation of \$38,693. Related amortization is included in depreciation expense.

NOTE 9. INTERFUND BALANCES

Inter-fund balances at September 30, 2016, consisted of the following:

	<i>Due From General Fund</i>
Due to Tourism Fund	<u>\$ 95,585</u>

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CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2016

NOTE 10. INTER-FUND TRANSFERS

Inter-fund transfers for the year ended September 30, 2016, consisted of the following:

		Transfer From					
		<i>General Fund</i>	<i>Tourism Fund</i>	<i>Nonmajor Govern.</i>	<i>Water</i>	<i>Gas</i>	<i>Total</i>
Transfer to	General fund	\$ 25,000	\$ -	\$ -	\$ 24,000	\$ 645,000	\$ 694,000
	Nonmajor governmental	16,957	45,000	899	-	-	62,856
	Major proprietary	134,189	-	-	3,303,057	-	3,437,246
	Nonmajor proprietary	10,680	-	-	-	-	10,680
		<u>\$ 186,826</u>	<u>\$ 45,000</u>	<u>\$ 899</u>	<u>\$ 3,327,057</u>	<u>\$ 645,000</u>	<u>\$ 4,204,782</u>

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

NOTE 11. PROPERTY TAX

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

NOTE 12. RELATED PARTY TRANSACTIONS

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

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

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

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

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

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2016

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 and also a monthly facilities rental charge payable to TVA. Rental expense related to these leases for the Electric Department amounted to \$ 118,412 during the year ended June 30, 2016, for the Gas, Water, and Sewer Departments amounted to \$ 26,065 during the year ended September 30, 2016.

NOTE 14. FINANCIAL INSTRUMENTS

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

NOTE 15. NOTES RECEIVABLE

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

Governmental fund notes receivable are discussed further in Note 18.

NOTE 16. RISK MANAGEMENT

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

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

NOTE 17. JOINT VENTURES

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

New Albany Main Street Association is involved in promotion of downtown business. For the fiscal year ended September 30, 2016, the City provided \$ 45,000 in support to the Association.

The Union County Library administers the countywide library. For the fiscal year ended September 30, 2016, 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, 2016, the City provided \$ 53,000 in support to the Association.

The City has entered into a Memorandum of Understanding with Union County to foster economic develop and pursue certain industries. In conjunction with these agreements, the City may purchase certain real estate and be jointly liable for acquisition indebtedness in order to entice certain businesses to domicile within the City.

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2016

NOTE 17. JOINT VENTURES (continued)

Union County Literacy Council is involved in the promotion of literacy throughout the county. For the fiscal year ended September 30, 2016, the City provided \$ 4,800 in support to the Council.

Union County Welfare Department administers the operations of the local welfare department. For the fiscal year ended September 30, 2016, 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, 2016, the City provided \$ 3,600 in support to the Department.

Union County Heritage Museum administers the operations of the local museum. For the fiscal year ended September 30, 2016, the City provided \$ 46,995 in support to the Museum.

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

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

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

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

During the current fiscal year, the City of New Albany, again acting as a conduit, received \$ 77,221 from the District to fund the required CAP loan note payments of \$ 59,254 in principal payments and \$ 17,967 in interest payments remitted to the Mississippi Development Authority. Since the City is the obligor of record as the Applicant City on the debt, the City has recognized the long-term debt in the government-wide statement of net position. However, since the City, under the terms of the interlocal agreement, is to receive the funds necessary to repay the debt from the District, a note receivable is also reflected in the government-wide statement of net position.

As a result of the interlocal agreement, the City's obligation (other than acting as agent for the conduit transactions outlined above) is to, annually, provide a quarter of a mill to the District. During the year ended September 30, 2016, the City's contribution to the district amounted to \$ 16,143 which was charged as "aid to other governments" to expenditures.

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2016

NOTE 18. MAGNOLIA CIVIC CENTER

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

NOTE 19. UNEMPLOYMENT CONTINGENT LIABILITY

The City has an agency fund in which it holds funds restricted to pay unemployment claims. At September 30, 2016, \$ 17,349 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.

NOTE 20. NEW ALBANY/UNION COUNTY AIRPORT

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

NOTE 21. ADVANCE PAYMENTS RECEIVED

During the year ended September 30, 2011, the City sold the naming rights to the local sportsplex facility to a local business for \$ 500,000 and renamed the sportsplex facility "BNA Bank Park". The agreement runs for a 20 year period, and, pursuant to the provisions of GASB 48, represents the sale of future revenues. GASB 48 requires sales of future revenues be reported as deferred inflows and amortized over the life of the sale agreement using a systematic and rational method. During the year ended September 30, 2016, the City recognized revenue of \$ 25,000 related to this sale agreement with the unamortized balance of \$ 362,500 included in deferred inflows of resources in the Tourism Fund.

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

NOTE 22. FUND BALANCE REPORTING

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

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

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

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

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

Unassigned – the residual classification.

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2016

NOTE 23. PENSION PLAN

A. General Information about the Pension Plan

Plan description

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

Benefits provided

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

Contributions

Pursuant to Miss. Code Ann. § 25-11-123 (1972, as amended), the Board of Trustees of the Public Employees' Retirement System of Mississippi is authorized to set the contribution rates for both employee and employer contributions based on the basis of the liabilities of the retirement system as shown by the actuarial valuation. Effective July 1, 2010 and continuing thereafter until amended by the Board of Trustees of the Public Employees' Retirement System of Mississippi, the employee contribution rate was fixed at 9.00 percent of earned compensation. The City's contractually required contribution rate, effective July 1, 2013 and continuing thereafter until amended by the Board of Trustees of the Public Employees' Retirement System of Mississippi, was fixed at 15.75 percent of earned compensation. Contributions to the pension plan from the City were \$ 1,054,477 for the year ended September 30, 2016.

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

At September 30, 2016, the City reported a liability of \$ 17,576,074 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contribution (including contributions by New Albany Light, Gas & Water) to the total actual contributions of all participating employers to PERS as of and for the PERS fiscal year ended June 30, 2016. At June 30, 2016, the City's proportion was 0.1031 %, which was a decrease of .0008% from its proportion measured as of June 30, 2015.

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2016

NOTE 23. PENSION PLAN (continued)

For the year ended September 30, 2016, the City recognized pension expense of \$ 2,359,223 at September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	\$ 465,830	\$ -
Changes in assumptions	1,032,921	32,782
Net difference between projected and actual earnings on pension plan investments	835,770	140,713
Changes in proportion and differences between System contributions and proportionate share of contributions	1,125,567	-
System contributions subsequent to the measurement date	<u>535,448</u>	<u>-</u>
	<u>\$ 3,995,536</u>	<u>\$ 173,495</u>

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

Years ended June 30,	
2017	\$ 1,067,182
2018	913,820
2019	822,111
2020	483,480
2021	-
Therafter	<u>-</u>
	<u>\$ 3,286,593</u>

Actuarial assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2016

NOTE 23. PENSION PLAN (continued)

Actuarial assumptions (continued)

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

The actuarial assumptions used at June 30, 2016 were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

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

Discount rate

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

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

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2016

NOTE 23. PENSION PLAN (continued)

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
System's proportionate share of the net pension liability	\$ 21,359,782	\$ 16,281,809	\$ 12,068,151

Pension plan fiduciary net position

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

Payables to the pension plan

Amounts included in accounts payable and accrued expenses related to PERS contributions payable at September 30, 2016 are not material to the financial statements.

NOTE 24. PRIOR PERIOD ADJUSTMENT

The City has corrected an error in recording an investment in certificates of deposit. The effect of this correction is to increase investments and beginning net assets by \$ 132,500.

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Required Supplementary Information

CITY OF NEW ALBANY, MISSISSIPPI
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 1,120,900	\$ 1,120,900	\$ 1,118,717	\$ (2,183)
Licenses and permits	114,025	148,750	148,750	-
Intergovernmental revenue	3,873,287	3,933,546	3,852,896	(80,650)
Charges for services	214,950	211,950	206,284	(5,666)
Fines and forfeitures	337,000	337,000	339,865	2,865
Investment earnings	15,000	15,000	3,071	(11,929)
Miscellaneous	86,000	86,000	86,000	-
Total Revenues	<u>5,761,162</u>	<u>5,853,146</u>	<u>5,755,583</u>	<u>(97,563)</u>
Expenditures:				
General government:				
Legislative:				
Personal services	114,939	114,939	112,369	2,570
Supplies	50	50	-	50
Other services and charges	11,600	11,600	8,866	2,734
	<u>126,589</u>	<u>126,589</u>	<u>121,235</u>	<u>5,354</u>
Judicial:				
Personal services	125,964	127,214	127,214	-
Supplies	8,600	8,600	3,305	5,295
Other services and charges	57,850	57,850	15,982	41,868
	<u>192,414</u>	<u>193,664</u>	<u>146,501</u>	<u>47,163</u>
Executive:				
Personal services	157,265	157,265	156,113	1,152
Supplies	6,600	6,600	2,892	3,708
Other services and charges	7,925	7,925	7,639	286
Capital outlay	-	-	-	-
	<u>171,790</u>	<u>171,790</u>	<u>166,644</u>	<u>5,146</u>
Financial:				
Personal services	105,694	105,694	95,246	10,448
Supplies	6,550	6,550	5,726	824
Other services and charges	78,775	78,775	60,808	17,967
	<u>191,019</u>	<u>191,019</u>	<u>161,780</u>	<u>29,239</u>

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

CITY OF NEW ALBANY, MISSISSIPPI

Budgetary Comparison Schedule - General Fund (Continued)

For the Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures - Continued:				
Legal:				
Personal services	65,393	69,543	69,543	-
Supplies	50	50	-	50
Other services and charges	7,350	7,350	4,647	2,703
	72,793	76,943	74,190	2,753
Building Inspector:				
Personal services	63,817	71,210	71,210	-
Supplies	5,500	5,500	3,168	2,332
Other services and charges	9,000	9,000	6,987	2,013
	78,317	85,710	81,365	4,345
Code Enforcement				
Personal services	-	-	5	(5)
Supplies	-	-	-	-
Other services and charges	-	-	-	-
	-	-	5	(5)
Public property:				
Personal services	129,084	129,084	127,558	1,526
Supplies	12,550	12,550	10,213	2,337
Other services and charges	134,475	134,475	126,275	8,200
Capital outlay	12,000	12,000	5,033	6,967
	288,109	288,109	269,079	19,030
Miscellaneous:				
Personal services	12,000	12,000	6,696	5,304
Supplies	750	750	530	220
Other services and charges	369,112	369,112	341,955	27,157
	381,862	381,862	349,181	32,681
Public Safety:				
Police:				
Personal services	1,610,501	1,663,918	1,663,918	-
Supplies	173,000	173,000	147,525	25,475
Other services and charges	157,858	183,067	183,067	-
Capital outlay	88,110	88,110	88,109	1
	2,029,469	2,108,095	2,082,619	25,476
Fire:				
Personal services	1,131,548	1,131,548	1,072,601	58,947
Supplies	73,225	73,225	66,177	7,048
Other services and charges	55,825	55,825	48,731	7,094
	1,260,598	1,260,598	1,187,509	73,089

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

CITY OF NEW ALBANY, MISSISSIPPI

Budgetary Comparison Schedule - General Fund (Continued)

For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures - Continued:				
Streets:				
Personal services	444,018	444,018	361,942	82,076
Supplies	145,400	145,400	129,292	16,108
Other services and charges	202,600	204,242	204,242	-
Capital outlay	53,000	53,000	16,199	36,801
	<u>845,018</u>	<u>846,660</u>	<u>711,675</u>	<u>134,985</u>
Recreation:				
Personal services	473,930	487,113	487,113	-
Supplies	205,250	213,808	213,808	-
Other services and charges	83,600	83,600	79,541	4,059
Capital outlay	124,723	124,723	122,523	2,200
	<u>887,503</u>	<u>909,244</u>	<u>902,985</u>	<u>6,259</u>
Other Financing Sources (Uses):				
Operating transfers in (out)	700,000	700,000	714,191	14,191
Proceeds from the disposal of capital assets	40,184	40,184	8,275	(31,909)
	<u>740,184</u>	<u>740,184</u>	<u>722,466</u>	<u>(17,718)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(24,135)	(46,953)	223,281	<u>\$ 270,234</u>
Fund balance - beginning of year	<u>1,627,492</u>	<u>1,260,825</u>	<u>1,912,440</u>	
Fund balance - end of year	<u>\$ 1,603,357</u>	<u>\$ 1,213,872</u>	<u>\$ 2,135,721</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budgetary basis			223,281	
Revenue and expense accruals, net			<u>10,272</u>	
Modified accrual basis			<u>\$ 233,553</u>	

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

CITY OF NEW ALBANY, MISSISSIPPI
Budgetary Comparison Schedule - Tourism Fund
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Project donations	\$ 17,500	\$ 17,500	\$ 34,920	17,420
Intergovernmental revenue	715,000	751,210	736,210	(15,000)
Miscellaneous revenue	8,951	13,447	11,096	(2,351)
Investment earnings	200	200	131	(69)
Total Revenues	741,651	782,357	782,357	-
Expenditures:				
General government:				
Heritage Museum				
Personal services	96,052	99,665	99,665	-
Other services and charges	31,995	34,155	34,155	-
Capital outlay	25,000	25,000	25,000	-
	153,047	158,820	158,820	-
City Beautification:				
Other services and charges	57,212	57,212	57,150	62
	57,212	57,212	57,150	62
Cine' Restoration:				
Other services and charges	5,000	10,000	10,000	-
Capital outlay	35,000	35,000	35,000	-
	40,000	45,000	45,000	-
Tourism & Marketing				
Personal services	72,148	72,148	68,923	3,225
Consumable supplies	131,550	131,550	126,156	5,394
	203,698	203,698	195,079	8,619
New Albany Main Street:				
Other services and charges	46,500	46,500	45,788	712
	46,500	46,500	45,788	712

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

CITY OF NEW ALBANY, MISSISSIPPI
Budgetary Comparison Schedule - Tourism Fund (Continued)
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures - Continued:				
Miscellaneous:				
Other services and charges	120,109	120,109	59,867	60,242
Capital outlay	121,085	121,085	104,597	16,488
	<u>241,194</u>	<u>241,194</u>	<u>164,464</u>	<u>76,730</u>
 Debt service	 -	 -	 -	 -
Other Financing Sources (Uses):				
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	 -	 29,933	 116,056	 <u>\$ 86,123</u>
 Fund balance - beginning of year	 176,006	 144,733	 166,792	
 Fund balance - end of year	 <u>\$ 176,006</u>	 <u>\$ 174,666</u>	 <u>\$ 282,848</u>	
 Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budgetary basis			 116,056	
 Revenue and expense accruals, net			 15,648	
 Modified accrual basis			 <u>\$ 131,704</u>	

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

CITY OF NEW ALBANY, MISSISSIPPI

Schedule of Required Supplementary Information - Pension

September 30, 2016

Last 3 Fiscal Years*

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.1031%	0.1039%	0.1001%
City's proportionate share of the net pension liability	\$ 17,576,074	\$ 14,925,261	\$ 12,721,932
City's covered-employee payroll	\$ 6,512,057	\$ 6,298,343	\$ 6,179,214
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	269.9005%	236.9712%	205.8827%
Plan fiduciary net position as a percentage of the total pension liability	57.4677%	61.7040%	67.2077%

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

Schedule of City Contributions - PERS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,025,649	\$ 991,989	\$ 973,226
Contributions in relation to contractually required contribution	<u>(1,025,649)</u>	<u>(991,989)</u>	<u>(973,226)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
System's covered-employee payroll	\$ 6,512,057	\$ 6,298,343	\$ 6,179,214
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%

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

CITY OF NEW ALBANY, MISSISSIPPI

Notes to the Required Supplementary Information September 30, 2016

NOTE 1. BUDGETARY COMPARISON SCHEDULE

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

NOTE 2. PENSION LIABILITY AND CONTRIBUTIONS

Changes in benefit terms

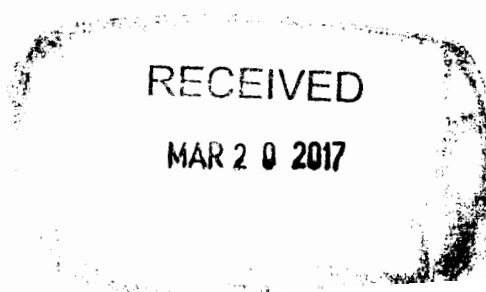
None identified during periods presented in the required supplementary information

Changes in assumptions

In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%. Additionally, effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent. Differences between projected and actual earnings on pension plan investments are amortized over a closed period of 5 years.

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

None identified during periods presented in the required supplementary information



Combining Fund Statements

CITY OF NEW ALBANY, MISSISSIPPI
Combining Balance Sheets - All General Funds
September 30, 2016

	General Fund	Clearing Accounts	CDBG Grants	Water & Sewer Improvement Fund	Street Improvement Fund	HUD Programs	Health Reimburse- ment Account	Total General Funds
ASSETS								
Cash	\$ 453,512	\$ 56,848	\$ 50,122	\$ 322,898	\$ 685,022	\$ 60	\$ 8,791	\$ 1,577,253
Investments	1,579,334	-	-	641,253	-	-	-	2,220,587
Prepaid expenses	2,169	-	-	-	-	-	-	2,169
Due from other funds	-	-	-	-	-	-	-	-
Accounts receivable	594,552	264	832	788	82,893	-	-	679,329
	<u>\$ 2,629,567</u>	<u>\$ 57,112</u>	<u>\$ 50,954</u>	<u>\$ 964,939</u>	<u>\$ 767,915</u>	<u>\$ 60</u>	<u>\$ 8,791</u>	<u>\$ 4,479,338</u>
LIABILITIES								
Accounts payable and accrued expenses	\$ 272,050	\$ 57,267	\$ -	\$ -	\$ (3,803)	\$ -	\$ -	\$ 325,514
Due to other funds	95,585	-	-	-	-	-	-	95,585
	<u>367,635</u>	<u>57,267</u>	<u>-</u>	<u>-</u>	<u>(3,803)</u>	<u>-</u>	<u>-</u>	<u>421,099</u>
DEFERRED INFLOWS OF RESOURCES								
Advance payments received	82,150	-	-	-	-	-	-	82,150
FUND BALANCES								
Restricted	-	-	-	-	-	-	-	-
Committed	500,000	-	-	-	-	-	-	500,000
Assigned	-	-	50,954	964,939	771,718	60	8,791	1,796,462
Unassigned	1,679,782	(155)	-	-	-	-	-	1,679,627
	<u>2,179,782</u>	<u>(155)</u>	<u>50,954</u>	<u>964,939</u>	<u>771,718</u>	<u>60</u>	<u>8,791</u>	<u>3,976,089</u>
	<u>\$ 2,629,567</u>	<u>\$ 57,112</u>	<u>\$ 50,954</u>	<u>\$ 964,939</u>	<u>\$ 767,915</u>	<u>\$ 60</u>	<u>\$ 8,791</u>	<u>\$ 4,479,338</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, 2016

	General Fund	Clearing Accounts	CDBG Grants	Water & Sewer Improvement Fund	Street Improvement Fund	HUD Programs	Health Reimbursement Account	Total General Funds
Revenues:								
Taxes	\$ 1,239,167	\$ -	\$ -	\$ -	\$ 197,489	\$ -	\$ -	\$ 1,436,656
Licenses and permits	158,999	-	-	-	-	-	-	158,999
Intergovernmental revenue	3,837,736	-	-	-	175,187	-	-	4,012,923
Charges for services	212,252	-	-	-	-	-	-	212,252
Fines and forfeitures	324,729	-	-	-	-	-	-	324,729
Investment earnings	4,226	-	25	1,886	1,159	-	2	7,298
Miscellaneous	90,230	-	-	-	-	-	-	90,230
Total Revenues	5,867,339	-	25	1,886	373,835	-	2	6,243,087
Expenditures:								
General government	1,361,958	-	-	-	38,787	-	18,525	1,419,270
Public safety	3,145,904	-	-	-	-	-	-	3,145,904
Public works	706,075	-	-	-	-	-	-	706,075
Culture and recreation	770,437	-	-	-	-	-	-	770,437
Capital outlay	240,250	-	-	-	234,772	-	-	475,022
Total Expenditures	6,224,624	-	-	-	273,559	-	18,525	6,516,708
Excess (Deficiency) of Revenues over Expenditures	(357,285)	-	25	1,886	100,276	-	(18,523)	(273,621)
Other Financing Sources (Uses):								
Transfers in	669,000	-	-	-	-	-	25,000	694,000
Transfers out	(52,637)	-	-	(134,189)	-	-	-	(186,826)
Total Other Financing Sources (Uses)	616,363	-	-	(134,189)	-	-	25,000	507,174
Net Change in Fund Balances	259,078	-	25	(132,303)	100,276	-	6,477	233,553
Fund balances - beginning, as previously stated	1,788,204	(155)	50,929	1,097,242	671,442	60	2,314	3,610,036
Prior period adjustment	132,500	-	-	-	-	-	-	132,500
Fund balances - beginning, as restated	1,920,704	(155)	50,929	1,097,242	671,442	60	2,314	3,742,536
Fund balances - ending	\$ 2,179,782	\$ (155)	\$ 50,954	\$ 964,939	\$ 771,718	\$ 60	\$ 8,791	\$ 3,976,089

CITY OF NEW ALBANY, MISSISSIPPI
Combining Balance Sheets - Nonmajor Governmental Funds
September 30, 2016

	Special Revenue										Total
	Fire	New Albany/ Union County		Local	Keep			Tallahatchie	Freedom	CAP	Special
	Protection	Drug Task Force	COPS	Records Management	Union County Beautiful	Dare Program	Law Enforcement	River Players	Celebration 2007	Loans	Revenue Funds
ASSETS											
Cash	\$ 781,196	\$ 103,944	\$ 12	\$ 5,930	\$ 2,290	\$ 1,812	\$ 31	\$ 8,888	\$ 4,336	\$ 15,817	\$ 924,256
Investments	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	743	-	-	-	-	-	-	-	-	743
Lease receivable	-	-	-	-	-	-	-	-	-	295,853	295,853
	<u>\$ 781,196</u>	<u>\$ 104,687</u>	<u>\$ 12</u>	<u>\$ 5,930</u>	<u>\$ 2,290</u>	<u>\$ 1,812</u>	<u>\$ 31</u>	<u>\$ 8,888</u>	<u>\$ 4,336</u>	<u>\$ 311,670</u>	<u>\$ 1,220,852</u>
LIABILITIES											
Accounts payable and accrued expenses	\$ 627	\$ 9,505	\$ -	\$ -	\$ 139	\$ -	\$ -	\$ 628	\$ 2,683	\$ 958	\$ 14,540
DEFERRED INFLOWS OF RESOURCES											
Lease principal	-	-	-	-	-	-	-	-	-	256,738	256,738
Lease interest	-	-	-	-	-	-	-	-	-	38,819	38,819
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 295,557</u>	<u>\$ 295,557</u>
FUND BALANCE											
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-	-	-	-	-	-	-	-
Assigned	780,569	95,182	12	5,930	2,151	1,812	31	8,260	1,653	15,155	910,755
Unassigned	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 780,569</u>	<u>\$ 95,182</u>	<u>\$ 12</u>	<u>\$ 5,930</u>	<u>\$ 2,151</u>	<u>\$ 1,812</u>	<u>\$ 31</u>	<u>\$ 8,260</u>	<u>\$ 1,653</u>	<u>\$ 15,155</u>	<u>\$ 910,755</u>
	<u>\$ 781,196</u>	<u>\$ 104,687</u>	<u>\$ 12</u>	<u>\$ 5,930</u>	<u>\$ 2,290</u>	<u>\$ 1,812</u>	<u>\$ 31</u>	<u>\$ 8,888</u>	<u>\$ 4,336</u>	<u>\$ 311,670</u>	<u>\$ 1,220,852</u>

CITY OF NEW ALBANY, MISSISSIPPI

Combining Balance Sheets - Nonmajor Governmental Funds (Continued)

September 30, 2016

	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	\$ 247	\$ 247	\$ 2,462	\$ 5,383	\$ 26,104	\$ 72,964	\$ 37,295	\$ 144,208	\$ 1,068,711
Investments	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Accounts receivable	286	286	-	-	-	1,592	-	1,592	2,621
Lease receivable	-	-	-	-	-	-	-	-	295,853
	<u>\$ 533</u>	<u>\$ 533</u>	<u>\$ 2,462</u>	<u>\$ 5,383</u>	<u>\$ 26,104</u>	<u>\$ 74,556</u>	<u>\$ 37,295</u>	<u>\$ 145,800</u>	<u>\$ 1,367,185</u>
LIABILITIES									
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ 471	\$ 75,750	\$ 5,755	\$ 81,976	\$ 96,516
DEFERRED INFLOWS OF RESOURCES									
Lease principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 256,738
Lease interest	-	-	-	-	-	-	-	-	38,819
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 295,557</u>
FUND BALANCE									
Restricted	\$ -	\$ -	\$ -	\$ 5,383	\$ -	\$ -	\$ -	\$ 5,383	\$ 5,383
Committed	-	-	-	-	-	-	-	-	-
Assigned	533	533	2,462	-	25,633	(1,194)	31,540	58,441	969,729
Unassigned	-	-	-	-	-	-	-	-	-
	<u>\$ 533</u>	<u>\$ 533</u>	<u>\$ 2,462</u>	<u>\$ 5,383</u>	<u>\$ 25,633</u>	<u>\$ (1,194)</u>	<u>\$ 31,540</u>	<u>\$ 63,824</u>	<u>\$ 975,112</u>
	<u>\$ 533</u>	<u>\$ 533</u>	<u>\$ 2,462</u>	<u>\$ 5,383</u>	<u>\$ 26,104</u>	<u>\$ 74,556</u>	<u>\$ 37,295</u>	<u>\$ 145,800</u>	<u>\$ 1,367,185</u>

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CITY OF NEW ALBANY, MISSISSIPPI

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

For the Year Ended September 30, 2016

	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	
Revenues:											
Taxes	\$ 82,587	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,587
Intergovernmental revenue	56,430	58,305	-	-	-	-	-	-	-	-	114,735
Charges for services	-	-	-	-	-	-	-	90	-	-	90
Fines and forfeitures	-	75,742	-	-	-	-	-	-	-	-	75,742
Investment earnings	356	30	-	3	-	1	-	(1)	1	9,370	9,760
Miscellaneous	-	2,080	-	310	500	-	-	16,654	75	-	19,619
Total Revenues	139,373	136,157	-	313	500	1	-	16,743	76	9,370	302,533
Expenditures:											
General government	-	-	-	1,290	-	-	-	-	-	-	1,290
Public safety	17,379	48,841	-	-	-	-	-	-	-	-	66,220
Culture and recreation	-	-	-	-	-	-	-	11,641	294	-	11,935
Debt service:											
Principal	-	-	-	-	-	-	-	-	-	24,587	24,587
Interest and other charges	-	-	-	-	-	-	-	-	-	11,483	11,483
Capital outlay	11,288	44,338	-	-	-	-	-	-	-	-	55,626
Total Expenditures	28,667	93,179	-	1,290	-	-	-	11,641	294	36,070	171,141
Excess (Deficiency) of Revenues over Expenditures	110,706	42,978	-	(977)	500	1	-	5,102	(218)	(26,700)	131,392
Other Financing Sources (Uses):											
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(899)	-	-	(899)
Lease principal payments	-	-	-	-	-	-	-	-	-	28,591	28,591
Total Other Sources (Uses)	-	-	-	-	-	-	-	(899)	-	28,591	27,692
Net Change in Fund Balances	110,706	42,978	-	(977)	500	1	-	4,203	(218)	1,891	159,084
Fund balances - beginning	669,863	52,204	12	6,907	1,651	1,811	31	4,057	1,871	13,264	751,671
Fund balances - ending	\$ 780,569	\$ 95,182	\$ 12	\$ 5,930	\$ 2,151	\$ 1,812	\$ 31	\$ 8,260	\$ 1,653	\$ 15,155	\$ 910,755

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, 2016

	<u>Debt Service</u>		<u>Capital Projects</u>					<u>Total Capital Project Funds</u>	<u>Total All Nonmajor Funds</u>
	<u>Industrial Park</u>	<u>Total Debt Service Funds</u>	<u>Park Along the River</u>	<u>Economic and Industrial Development Fund</u>	<u>Magnolia Civic Center</u>	<u>New Albany/ Union County Airport Grant</u>	<u>Sportsplex</u>		
Revenues:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,587
Intergovernmental revenue	-	-	-	-	-	272,517	175,000	447,517	562,252
Charges for services	-	-	-	-	-	-	-	-	90
Fines and forfeitures	-	-	-	-	-	-	-	-	75,742
Investment earnings	-	-	1	-	27	44	26	98	9,858
Miscellaneous	-	-	-	-	1,204	-	-	1,204	20,823
Total Revenues	-	-	1	-	1,231	272,561	175,026	448,819	751,352
Expenditures:									
General government	-	-	-	-	-	-	237	237	1,527
Public safety	-	-	-	-	-	-	-	-	66,220
Culture and recreation	-	-	-	-	22,940	-	-	22,940	34,875
Principal	-	-	-	-	-	-	-	-	24,587
Interest and other charges	-	-	-	-	-	-	-	-	11,483
Capital outlay	-	-	-	-	12,606	278,899	144,422	435,927	491,553
Total Expenditures	-	-	-	-	35,546	278,899	144,659	459,104	630,245
Excess (Deficiency) of Revenues over Expenditures	-	-	1	-	(34,315)	(6,338)	30,367	(10,285)	121,107
Other Financing Sources (Uses):									
Transfers in	-	-	-	14,873	45,899	2,084	-	62,856	62,856
Transfers out	-	-	-	-	-	-	-	-	(899)
Lease principal payments	-	-	-	-	-	-	-	-	28,591
Total Other Sources (Uses)	-	-	-	14,873	45,899	2,084	-	62,856	90,548
Net Change in Fund Balances	-	-	1	14,873	11,584	(4,254)	30,367	52,571	211,655
Fund balances - beginning	533	533	2,461	(9,490)	14,049	3,060	1,173	11,253	763,457
Fund balances - ending	\$ 533	\$ 533	\$ 2,462	\$ 5,383	\$ 25,633	\$ (1,194)	\$ 31,540	\$ 63,824	\$ 975,112

CITY OF NEW ALBANY, MISSISSIPPI

Combining Statement of Fund Net Position - Nonmajor Proprietary Funds

September 30, 2016

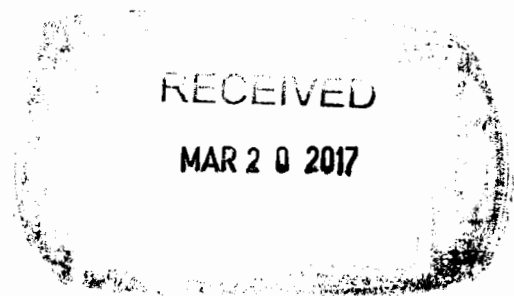
	<u>Waste Disposal</u>	<u>New Albany/ Union County Airport</u>	<u>Total Nonmajor Enterprise Funds</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 675,371	\$ 27,200	\$ 702,571
Accounts receivable	<u>55,367</u>	<u>500</u>	<u>55,867</u>
Total current assets	<u>730,738</u>	<u>27,700</u>	<u>758,438</u>
Noncurrent Assets			
Capital assets:			
Machinery and equipment	1,028,307	31,991	1,060,298
Less: accumulated depreciation	<u>(904,058)</u>	<u>(16,142)</u>	<u>(920,200)</u>
Total non-current assets	<u>124,249</u>	<u>15,849</u>	<u>140,098</u>
DEFERRED OUTFLOWS			
Pension plan	<u>110,538</u>	<u>-</u>	<u>110,538</u>
Total assets and Deferred Outflows	<u>965,525</u>	<u>43,549</u>	<u>1,009,074</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued expenses	<u>40,480</u>	<u>1,630</u>	<u>42,110</u>
Total current liabilities	<u>40,480</u>	<u>1,630</u>	<u>42,110</u>
Noncurrent liabilities			
Pension liability	<u>648,041</u>	<u>-</u>	<u>648,041</u>
Total noncurrent liabilities	<u>648,041</u>	<u>-</u>	<u>648,041</u>
DEFERRED INFLOWS			
Pension plan	<u>1,722</u>	<u>-</u>	<u>1,722</u>
NET POSITION			
Invested in capital assets, net of related debt	124,249	15,849	140,098
Unrestricted	<u>151,033</u>	<u>26,070</u>	<u>177,103</u>
Total net position	<u>\$ 275,282</u>	<u>\$ 41,919</u>	<u>\$ 317,201</u>

CITY OF NEW ALBANY, MISSISSIPPI

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

For the Year Ended September 30, 2016

	Waste Disposal	New Albany/ Union County Airport	Total Nonmajor Enterprise Funds
Operating revenues:			
Charges for services	\$ 779,726	\$ 21,148	\$ 800,874
Total operating revenues	<u>779,726</u>	<u>21,148</u>	<u>800,874</u>
Operating expenses:			
Depreciation and amortization	21,994	2,140	24,134
Operation and maintenance	<u>742,097</u>	<u>47,620</u>	<u>789,717</u>
Total operating expenses	<u>764,091</u>	<u>49,760</u>	<u>813,851</u>
Operating income (loss)	<u>15,635</u>	<u>(28,612)</u>	<u>(12,977)</u>
Non-operating revenues (expenses)			
Interest income	808	18	826
Property taxes	59,846	-	59,846
Intergovernmental revenue	<u>3,541</u>	<u>10,668</u>	<u>14,209</u>
Total nonoperating revenues (expenses)	<u>64,195</u>	<u>10,686</u>	<u>74,881</u>
Income (loss) before operating transfers	79,830	(17,926)	61,904
Transfers in (out)	<u>-</u>	<u>10,680</u>	<u>10,680</u>
Change in net position	79,830	(7,246)	72,584
Net position, beginning	<u>195,452</u>	<u>49,165</u>	<u>244,617</u>
Net position, ending	<u>\$ 275,282</u>	<u>\$ 41,919</u>	<u>\$ 317,201</u>



CITY OF NEW ALBANY, MISSISSIPPI

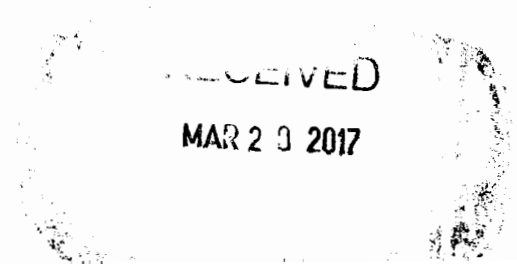
Combining Statement of Cash Flows - Nonmajor Proprietary Funds

For the Year Ended September 30, 2016

	<u>Waste Disposal</u>	<u>New Albany/ Union County Airport</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash flows from operating activities:			
Cash received from customers	\$ 782,236	\$ 21,148	\$ 803,384
Cash payments to suppliers for goods and services	(377,942)	(47,558)	(425,500)
Cash payments to employees	(324,803)	-	(324,803)
Net cash provided by (used in) operating activities	<u>79,491</u>	<u>(26,410)</u>	<u>53,081</u>
Cash flows from non-capital financing activities:			
Operating transfers, net	-	10,680	10,680
Net cash provided by (used in) non-capital financing activities	<u>-</u>	<u>10,680</u>	<u>10,680</u>
Cash flows from capital and related financing activities:			
Taxes and intergovernmental revenues, net	63,387	10,668	74,055
Payments for acquisition of capital assets	(140,937)	-	(140,937)
Net cash provided by (used in) capital and related financing activities	<u>(77,550)</u>	<u>10,668</u>	<u>(66,882)</u>
Cash flows from investing activities:			
Interest on investments	808	18	826
Net change in cash	2,749	(5,044)	(2,295)
Cash and cash equivalents at beginning of year	672,622	32,244	704,866
Cash and cash equivalents at end of year	<u>\$ 675,371</u>	<u>\$ 27,200</u>	<u>\$ 702,571</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 15,635	\$ (28,612)	\$ (12,977)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	21,994	2,139	24,133
Decrease (increase) in:			
Accounts receivable	2,510	-	2,510
Increase (decrease) in:			
Accounts payable and accrued expenses	(2,823)	63	(2,760)
Pension liability	3,546	-	3,546
Deferred inflows/outflows	38,629	-	38,629
Net cash provided by operating activities	<u>\$ 79,491</u>	<u>\$ (26,410)</u>	<u>\$ 53,081</u>

CITY OF NEW ALBANY, MISSISSIPPI
Combining Statement of Fiduciary Net Position
September 30, 2016

	<u>Unemployment Tax</u>	<u>Flexible Spending</u>	<u>Total Fiduciary Funds</u>
Assets			
Cash	\$ 2,198	\$ 3,568	\$ 5,766
Accounts and interest receivable	-	-	-
Investments	<u>15,151</u>	<u>-</u>	<u>15,151</u>
Total Assets	<u>\$ 17,349</u>	<u>\$ 3,568</u>	<u>\$ 20,917</u>
Liabilities			
Accounts payable and accrued expenses	<u>\$ 17,349</u>	<u>\$ 3,568</u>	<u>\$ 20,917</u>
Total Liabilities	<u>\$ 17,349</u>	<u>\$ 3,568</u>	<u>\$ 20,917</u>



Other Supplemental Information

CITY OF NEW ALBANY, MISSISSIPPI

Schedule of Surety Bonds for Municipal Officials

September 30, 2016

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

**Schedule of Findings and Responses
CITY OF NEW ALBANY, MISSISSIPPI**

For the year ended September 30, 2016

**Finding
Reference
Number**

Material Weakness in Internal Control and Related Recommendations

2016-001

Condition:

A prior period adjustment was required to record a certificate of deposit that has gone unrecorded since 2013.

Criteria:

All transactions and assets should be recorded in the proper period.

Cause:

Failure to deposit the funds in the operating account and draft that account for the CD purchased or, alternatively, failure to reconcile investment in CDs.

Effect:

An understatement of assets in the amount of \$132,500 since the transaction took place in September of 2013.

Recommendation:

All revenues, including interdepartmental transfers should be deposited into the operating account, which is subject to routine reconciliation procedures and which should mitigate the risk of unrecorded transactions in the future.

Management's Response:

The failure to record the certificate of deposit in a timely fashion was a clerical oversight that has subsequently been corrected through audit adjustments. In the future all transactions will be posted in the period to which they relate.

**Finding
Reference
Number**

Significant Deficiencies in Internal Control and Related Recommendations

2016-002

Condition:

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

Criteria:

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

Cause:

Limited number of available administrative staff.

Effect:

An improper separation of duties between authorization, recording, reconciling and report of transactions.

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 Responses
CITY OF NEW ALBANY, MISSISSIPPI**

For the year ended September 30, 2016

**Finding
Reference
Number**

Significant Deficiencies in Internal Control

2016-003

Condition:

The Parks department does not routinely reconcile amounts received reported to and submitted to City Hall for deposit to the pre-numbered receipt book.

Criteria:

Internal controls could be enhanced by implementing routine reconciliation procedures to demonstrate completeness of the underlying deposit.

Cause:

Autonomy of Parks and Recreation Department administrative personnel.

Effect:

Inability to effectively demonstrate that all amounts collected by the Parks department were ultimately deposited by City Hall.

Recommendation:

Receipts should be should be reconciled to amounts reported to and transferred to City Hall.

Management's Response:

Management will review procedures related to the receipt and accounting for funds collected by the Parks and Recreation Department and strengthen internal controls.

2016-004

Condition:

All citations issued are not manually entered into the municipal court system.

Criteria:

All citations issued should be maintained in the municipal court system so that the ultimate disposition of the citation can be determined.

Cause:

Portions of the software system implemented in 2015 are not functioning as intended.

Effect:

An increased risk of incomplete revenue because not all citations are logged and tracked to their ultimate disposition.

Recommendation:

Either rectify the faulty computer system or otherwise implement a manual system to insure that all citations are manually loaded onto the system prior to the court date of the defendant.

Management's Response:

Management is working with the software vendor to rectify the problem and is currently withholding payment from the vendor until the system is working as intended.

**Schedule of Findings and Responses
CITY OF NEW ALBANY, MISSISSIPPI**

For the year ended September 30, 2016

**Finding
Reference
Number**

Noncompliance and Related Recommendations

2016-005

Condition:

The interest crediting rate on customer deposits at NALGW is not consistent with the prescribed rates required by Rule 9 of the Mississippi Public Service Commission's "Rules and Regulations Governing Public Utility Service".

Criteria:

The referenced rule requires the payment of interest on customer deposits at rates prescribed by the Mississippi Public Service Commission.

Cause:

The Departments' utilized an interest crediting rate equal to the rate received on funds held at the municipal depository rather than the rate prescribed by the Public Service Commission. Department personnel were unaware that specific rates were prescribed.

Effect:

Noncompliance with a regulatory provision to which the Departments are subject.

Recommendation:

Adjust the interest crediting rate as prescribed and published by the Mississippi Public Service Commission.

Management's Response:

Management will contact Central Service Association to adjust the interest crediting rate.

2016-006

Condition:

The Utility Departments are utilizing the services of a vendor for public construction projects for which the contract may have expired under Mississippi bid laws.

Criteria:

Mississippi Code Section 31-7-13(n) addresses the purchase of commodities, equipment and public construction. Under the referenced code section, vendor contracts for public construction contracts are only good for five years.

Cause:

Department personnel assumed that the existing contract remained in effect as long as the vendor did not change the unit price charged for labor and equipment usage billed to the Department.

Effect:

Technical noncompliance with a provision of the Mississippi Code to which the Departments are subject.

Recommendation:

Obtain a new contract pursuant to the existing bid laws.

Management's Response:

The Departments will seek new bids and execute a renewed contract as soon as is practicable.

Schedule of Findings and Responses
CITY OF NEW ALBANY, MISSISSIPPI

For the year ended September 30, 2016

**Finding
Reference
Number**

Noncompliance and Related Recommendations

2016-007

Condition:

Purchasing tests indicated apparent noncompliance with certain provisions of the State Purchasing Law.

Criteria:

Mississippi Code Section 31-7-13 requires all agencies and governing authorities to purchase commodities, printing, and contracts for garbage, solid waste, or sewage collection or disposal, for public construction, and for rentals as provided in that section of the code. In summary, purchases under \$5,000 do not require the advertising or requesting of competitive bids. Purchases over \$5,000 but under \$50,000 require two competitive bids without advertising or publishing for bids, however best bids must be documented pursuant to Mississippi Code Section 31-7-13(d). Purchases over \$50,000 require advertisement for bids and other requirements.

Cause:

Our sample of purchases for compliance with the bid law requirements indicated several purchases over \$5,000 but under \$50,000 for which the City did not maintain bid documentation as described in the referenced code section.

Effect:

Noncompliance with a regulatory provision to which the City is subject.

Recommendation:

Implement uniform documentation requirements for bids/quotes for purchases between \$5,000 and \$50,000. Provide additional training to department heads regarding the documentation requirements associated with purchases.

Management's Response:

Management will implement corrective action as recommended.





CERTIFIED PUBLIC ACCOUNTANTS

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www.nmcpa.com

Independent Auditors' Report on Compliance With State Laws and Regulations

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

We have audited the basic financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of New Albany, Mississippi, as of and for the year ended September 30, 2016 and have issued our report thereon dated February 17, 2017. 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 material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses related thereto are included in the accompanying Schedule of Findings and Responses as finding reference numbers 2016-006 and 2016-007.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

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

Nail McKinney P.A.

Tupelo, Mississippi
February 17, 2017



CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of New Albany, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 17, 2017.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 finding reference number 2016-001 in the accompanying schedule of findings and responses 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 by those charged with governance. We consider the deficiencies described in finding reference numbers 2016-002 through 2016-004 to be significant deficiencies.

Compliance and Other Matters

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

the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2016-005 through 2016-007.

City of New Albany's Response to Findings

City of New Albany, Mississippi management's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of New Albany, Mississippi management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Nail McKinney P.A.

Tupelo, Mississippi
February 17, 2017

