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

**September 30, 2017**

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# CITY OF NEW ALBANY, MISSISSIPPI

## Financial Statements

For the Year Ended September 30, 2017

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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, 2017, 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, 2017, 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 March 26, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of New Albany's internal control over financial reporting and compliance.

*Nail McKinney P.A.*

Tupelo, Mississippi  
March 26, 2018

**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, 2017. 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, 2017 by \$39,877,929 (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 \$476,300 is restricted for specific purposes. Unrestricted net position decreased by \$911,840, restricted net position increased by \$8,710, and invested in capital assets increased by \$474,187.
- As of the close of the current fiscal year, the City of New Albany's proprietary funds reported combined ending net position of \$30,119,555. 88.5% of this total amount or \$26,662,017 is invested in capital assets, 9.9% or \$2,981,771 is unrestricted, and the remainder of 1.6% or \$475,767 is restricted for specific purposes.
- As of the close of the current fiscal year, the City of New Albany's governmental funds reported combined ending fund balances of \$4,953,550. The unassigned part of the fund balance, which is available for use within the City's policies, is \$1,694,714, the assigned part, which is intended for use for specific purposes, is \$2,753,618, the committed part, which has constraints imposed by Board action, is \$500,000 and the restricted part, which has outside constraints, is \$5,218.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$1,694,714.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and notes to the financial statements. The Statement of Net Position and the Statement of Activities (on pages 17-18) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 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 9. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a

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

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



# CITY OF NEW ALBANY, MISSISSIPPI

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

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

## GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net position and net position by category may serve over time as a useful indicator of government's financial position. In the case of the City of New Albany, assets exceeded liabilities by \$39,877,929 as of September 30, 2017.

The largest portion of the City's net position (98.3%) 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 6,966,399	\$ 7,144,789	\$ 19,580,560	\$ 19,062,511	\$ 26,546,959	\$ 26,207,300
Capital Assets	13,511,108	12,899,655	34,805,179	35,581,964	48,316,287	48,481,619
Total Assets	\$ 20,477,507	\$ 20,044,444	\$ 54,385,739	\$ 54,644,475	\$ 74,863,246	\$ 74,688,919
Deferred Outflows of Resources	\$ 1,446,849	\$ 2,182,153	\$ 1,781,011	\$ 1,845,546	\$ 3,227,860	\$ 4,027,699
Long-term Liabilities	\$ 10,797,979	\$ 11,104,911	\$ 17,060,434	\$ 16,930,466	\$ 27,858,413	\$ 28,035,377
Other Liabilities	727,381	616,184	8,870,484	9,069,055	9,597,865	9,685,239
Total Liabilities	\$ 11,525,360	\$ 11,721,095	\$ 25,930,918	\$ 25,999,521	\$ 37,456,278	\$ 37,720,616
Deferred Inflows of Resources	\$ 640,622	\$ 507,036	\$ 116,277	\$ 182,094	\$ 756,899	\$ 689,130
Net Position						
Invested in capital assets, net of related debt	\$ 12,542,110	\$ 11,827,131	\$ 26,662,017	\$ 26,902,809	\$ 39,204,127	\$ 38,729,940
Restricted	533	533	475,767	467,057	476,300	467,590
Unrestricted	(2,784,269)	(1,829,198)	2,981,771	2,938,540	197,502	1,109,342
Total Net Position	\$ 9,758,374	\$ 9,998,466	\$ 30,119,555	\$ 30,308,406	\$ 39,877,929	\$ 40,306,872

An additional portion of the City's net position (1.2%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position \$197,502 may be used to meet the government's ongoing obligations to citizens and creditors.

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

As of September 30, 2017, 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 \$428,943.

**Governmental Activities:** Governmental activities decreased the net position by \$240,092 or 56.0% of the total loss in net position. Invested in capital assets, net of related debt increased by \$714,979 primarily due to improvements and decreases in related debt. Unrestricted net position decreased by \$955,071 primarily due to increases in capital assets and decreases in debt related to capital assets. Restricted net assets remained the same.

Total revenues for governmental activities increased from the previous year by \$52,819. General revenues had a net increase of 4.9%, primarily due to an increases in property tax, sales tax collections and transfers. Program revenues had a 11.7% net decrease, which was primarily due to decreased charges for services and capital grants and contributions received in the prior year for a bridge project and park improvements.

Total expenses for governmental activities increased \$119,810 or 1.4%. This increase was related to increases in General Government and Culture and Recreation.

- General Government expenses increased \$199,604 or 9.4%. Increased costs in General Government are due primarily to building inspector and tourism salaries and soccer field improvements.
- Culture and Recreation expenses increased \$38,800 or 3.4%. Increased costs in Culture and Recreation are due primarily to park salaries.

**Business-type Activities:** Net Position from business-type activities decreased \$188,851 or 0.6% from \$30,308,406 to \$30,119,555 accounting for the 44.0% of the total decrease in net position. Invested in capital assets, net of related debt decreased by \$240,792 primarily due to some by distribution plant projects and the purchase of machinery and equipment less substantial reduction in debt. Unrestricted net position increased by \$43,231 primarily due to increases in capital assets and decreases in debt related to capital assets.

Total revenues for business-type activities increased \$1,767,116 or 4.9%. This increase was primarily due to increase of \$98,069 in the Water Department charges for services, increase of \$1,880,336 in the Electric Department charges for services, decrease of \$54,065 in Sewer Department charges in services and decrease of \$32,760 in Gas Department charges for services.

Total expenses for the business-type activities increased \$1,391,574 or 3.8%. This increase was primarily due to a increase of \$1,112,466 in the Electric Department, an increase of \$177,629 in the Gas Department and an increase of \$106,154 in the Waste Disposal Department.

The charges for services and costs of electricity and gas variations resulted in comparable margins between years.

The following table provides a summary of the City's Operations for the year-end September 30, 2017 with comparative totals for year ended September 30, 2016

# CITY OF NEW ALBANY, MISSISSIPPI

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

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 722,672	\$ 834,567	\$ 38,673,481	\$ 36,773,281	\$ 39,396,153	\$ 37,607,848
Operating grants and contributions	700,225	701,596	14,283	14,209	714,508	715,805
Capital grants and contributions	474,638	613,223	-	-	474,638	613,223
General Revenues:					-	-
Property Taxes	1,590,988	1,574,640	60,237	59,846	1,651,225	1,634,486
Sales Tax	3,309,356	3,266,169	-	-	3,309,356	3,266,169
Special City Sales Tax	835,042	742,612	-	-	835,042	742,612
Franchise Taxes	51,097	62,377	-	-	51,097	62,377
Investment Earnings	18,398	17,287	22,634	23,968	41,032	41,255
Special Item-Gain(Loss) on Sale/Disposal of assets	31,384	725	-	-	31,384	725
Transfers	656,346	524,131	(656,346)	(524,131)	-	-
Total Revenues	\$ 8,390,146	\$ 8,337,327	\$ 38,114,289	\$ 36,347,173	\$ 46,504,435	\$ 44,684,500
Expenses:						
General Government	\$ 2,326,662	\$ 2,127,058	\$ -	\$ -	\$ 2,326,662	\$ 2,127,058
Depreciation expense not included in other functions	107,151	132,721	-	-	107,151	132,721
Public Safety	3,929,118	3,987,858	-	-	3,929,118	3,987,858
Public Works	1,034,244	1,063,816	-	-	1,034,244	1,063,816
Culture and Recreation	1,192,902	1,154,102	-	-	1,192,902	1,154,102
Interest on long-term debt	40,161	44,873	-	-	40,161	44,873
Water	-	-	1,438,571	1,371,594	1,438,571	1,371,594
Sewer	-	-	1,251,949	1,316,592	1,251,949	1,316,592
Gas	-	-	3,608,147	3,430,518	3,608,147	3,430,518
Electric	-	-	31,091,475	29,979,009	31,091,475	29,979,009
Waste Disposal	-	-	870,245	764,091	870,245	764,091
Airport	-	-	42,752	49,761	42,752	49,761
Total expenses	\$ 8,630,238	\$ 8,510,428	\$ 38,303,139	\$ 36,911,565	\$ 46,933,377	\$ 45,421,993
Increase (Decrease) in net net assets before transfers	\$ (240,092)	\$ (173,101)	\$ (188,850)	\$ (564,392)	\$ (428,942)	\$ (737,493)
Transfers					-	-
Increase in net assets	\$ (240,092)	\$ (173,101)	\$ (188,850)	\$ (564,392)	\$ (428,942)	\$ (737,493)
Net position-October 1	9,998,466	10,039,067	30,308,405	30,872,797	40,306,871	40,911,864
Adjustments	-	132,500	-	-	-	132,500
Net Position-September 30	\$ 9,758,374	\$ 9,998,466	\$ 30,119,555	\$ 30,308,405	\$ 39,877,929	\$ 40,306,871

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# ***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 \$4,953,550. Approximately 34.2% of this total amount (\$1,694,714) constitutes unassigned fund balance. The remainder of the fund balance is restricted (\$5,218), committed (\$500,000) or assigned (\$2,753,618).

**General Fund Budgetary Highlights** – In the general fund, the City budgeted for a decrease in the fund balance on a budget basis of \$268,127. Due to actual expenses being less than budgeted, the actual fund balance increased for fiscal year 2017 by \$188,077.

The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in an decrease in revenues of \$300,241 and an decrease in expenditures of \$32,114.

**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 - (\$124,981), Sewer System - (\$542,995), Gas System - \$1,092,231, Electric Department - \$2,368,659, Waste Disposal - \$157,232, and NA/UC Airport – \$31,625. The total of these unrestricted net assets is \$2,981,771. Changes in net position for enterprise funds in 2017 were as follows: Water - \$37,743, Sewer – (\$90,316), Gas System – (\$528,504), Electric Department - \$409,662, Waste Disposal – (\$20,850), and NA/UC Airport – \$3,415. The total change in unrestricted net assets was \$(188,850).

## **CAPITAL ASSETS**

The City of New Albany's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to \$48,316,287 (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 8.4% (6.9% increase in governmental activities and 1.5% increase in business-type activities).

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

- Airport improvements including update of master plan, obstruction removal, fuel tank, rehab runways, hanger project and land purchase.
- Improvements to the Tallahatchie Trails drainage project.

# CITY OF NEW ALBANY, MISSISSIPPI

## GOVERNMENTAL FUND ACTIVITIES

Asset Classification	Balance 10/1/2016	Additions	Deletions	Balance 9/30/2017
<b>Capital Asset Values</b>				
Land	\$ 1,109,750	\$ 205,796	\$ -	\$ 1,315,546
Construction in Progress	1,638,307	643,790	(2,064,714)	217,383
Timber Rights	10,000			10,000
Buildings	3,394,151			3,394,151
Improvements other than buildings	6,454,501	2,025,948		8,480,449
Machinery and Equipment	3,833,670	597,810	(43,971)	4,387,509
Road Network	2,708,666			2,708,666
Bridge Network	746,935			746,935
				-
Total at Historical Cost	\$ 19,895,980	\$ 3,473,344	\$ (2,108,685)	\$ 21,260,639
<b>Less: Capital Asset Accumulated Depreciation</b>				
Buildings	(1,075,759)	(94,228)		(1,169,987)
Improvements other than buildings	(1,807,399)	(275,448)		(2,082,847)
Machinery and Equipment	(2,730,782)	(300,572)	28,063	(3,003,291)
Road Network	(1,189,175)	(94,803)		(1,283,978)
Bridge Network	(193,210)	(16,218)		(209,428)
				-
Total Accumulated Depreciation	\$ (6,996,325)	\$ (781,269)	\$ 28,063	\$ (7,749,531)
Governmental Activities Capital Assets, Net	\$ 12,899,655	\$ 2,692,075	\$ (2,080,622)	\$ 13,511,108

## BUSINESS-TYPE ACTIVITIES

Asset Classification	Balance 10/1/2016	Additions	Deletions	Balance 9/30/2017
<b>Capital Asset Values</b>				
Land	\$ 190,226			\$ 190,226
Construction in Progress	128,435	71,872		200,307
Distribution Plant	63,641,866	907,642	(140,313)	64,409,195
Machinery and Equipment	6,341,205	307,657	(42,555)	6,606,307
				-
Total at Historical Cost	\$ 70,301,732	\$ 1,287,171	\$ (182,868)	\$ 71,406,035
<b>Less: Capital Asset Accumulated Depreciation</b>				
Distribution Plant	(30,133,528)	(1,742,897)	216,433	(31,659,992)
Machinery and Equipment	(4,586,240)	(374,865)	20,241	(4,940,864)
				-
Total Accumulated Depreciation	\$(34,719,768)	\$ (2,117,762)	\$ 236,674	\$(36,600,856)
Business-Type Activities Capital Assets, Net	\$ 35,581,964	\$ (830,591)	\$ 53,806	\$ 34,805,179

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 \$10,446,320. Of this amount, \$1,101,815 represents notes payable by governmental activities, \$232,343 compensated absences and \$969,000 bonds payable by governmental activities, \$21,485 represents refunding bond premium, \$5,051,891 represents bonds paid by water revenues, \$2,632,031 represents bonds paid by electric revenues, and \$437,755 represents notes payable by proprietary funds.

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

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Bonds Payable	\$ 969,000	\$1,042,000	\$ 7,683,922	\$ 8,193,640	\$ 8,652,922	\$ 9,235,640
Capital Lease	-	30,525			-	30,525
Notes Payable	1,101,815	1,197,597	437,755	462,897	1,539,570	1,660,494
Compensated Absences	153,204	140,516	79,139	79,823	232,343	220,339
Refunding Bond Premiums			21,485	22,618	21,485	22,618
Totals	\$2,224,019	\$2,410,638	\$ 8,222,301	\$ 8,758,978	\$10,446,320	\$11,169,616

During the fiscal year, the City's total debt decreased by \$723,296 or 6.5%. Compensated absences were increased in governmental. Debt in the amount of \$735,300 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 2018 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 2018 year.

The general fund budget for the year 2018 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 2018 general fund budget shows an increase in the expenditures. The increase in expenditures is due mainly to budgeted increases of 1.3% in personal services. If these budgeted estimates are realized the City's budgeted general fund balance is expected to remain the same by the close of 2018.

The City of New Albany for the 2018 year is lining up several things for future growth in the City.

Funding is being sought for an expansion to Coulter Drive to a three lane street. Property has been purchased for a project with S & A Industries. Funding is also being sought for Tanglefoot Trails headquarters building. Paving and upgrades to the area located around the tennis/soccer facility at Tallahatchie trails are also in the planning phase.

At this time these are the only major projects that the City has planned.

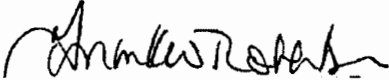
# ***CITY OF NEW ALBANY, MISSISSIPPI***

The Gas Department budget for the year 2018 shows decreases in cost gas having to be purchased. Water and Gas Departments have budget decreases and Electric Department has budget increases in metered sales. As a result for the City's business-type activities, we expect that the net positions do not have significant change by the close of 2018.

For 2018, the Electric Department plans to complete relocation of its primary substation, upgrade circuit feeds for improved reliability, plan for lighting improvements and extend the system to serve development in Beacon Hill. The Gas Department is planning a 16 mile system expansion and new tap station in Marshall County that will potentially add 250 customers. The Water Department is updating its comprehensive plan for future system improvements and exploring expansion into the Center Community. The Sewer Department is submitting a plan to construct a new wastewater treatment plant and make upgrades to the wastewater collection system, pending grant approval. The System is finalizing the design and the location for new administrative offices and beginning the process for an Automated Metering System.

## **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**

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# CITY OF NEW ALBANY, MISSISSIPPI

## Statement of Net Position

September 30, 2017

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash	\$ 2,943,678	\$ 11,016,904	\$ 13,960,582
Temporary cash investments	2,225,301	1,941,117	4,166,418
Accounts and interest receivable	762,563	5,425,493	6,188,056
Prepaid expenses	3,986	35,806	39,792
Materials and supplies	-	1,006,916	1,006,916
Capital assets:			
Land, improvements and construction in progress	1,542,929	390,533	1,933,462
Other capital assets, net of depreciation	11,968,179	34,414,646	46,382,825
Lease receivable	257,892	-	257,892
Other assets	-	128,205	128,205
Notes receivable	772,979	26,119	799,098
Total Assets	<u>20,477,507</u>	<u>54,385,739</u>	<u>74,863,246</u>
<b>Deferred Outflows of Resources</b>			
Pension plan	1,446,849	1,752,928	3,199,777
TVA Heat Pump Program	-	28,083	28,083
	<u>1,446,849</u>	<u>1,781,011</u>	<u>3,227,860</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	562,624	6,331,533	6,894,157
Customer deposits	-	1,987,217	1,987,217
Noncurrent liabilities:			
Due within one year	164,757	551,734	716,491
Due in more than one year	2,059,262	7,670,567	9,729,829
Pension liability	8,738,717	9,389,867	18,128,584
Total Liabilities	<u>11,525,360</u>	<u>25,930,918</u>	<u>37,456,278</u>
<b>Deferred Inflows of Resources</b>			
Advance payments received	419,650	27,906	447,556
Pension	190,853	88,371	279,224
Lease interest	30,119	-	30,119
	<u>640,622</u>	<u>116,277</u>	<u>756,899</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	12,542,110	26,662,017	39,204,127
Restricted for:			
Debt service	533	475,767	476,300
Unrestricted	<u>(2,784,269)</u>	<u>2,981,771</u>	<u>197,502</u>
Total Net Position	<u>\$ 9,758,374</u>	<u>\$ 30,119,555</u>	<u>\$ 39,877,929</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, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	Total
			Grants and Contributions	Grants and Contributions			
Governmental Activities:							
General government	\$ 2,326,662	\$ 248,903	\$ 154,051	\$ 374,638	\$ (1,549,070)	\$ -	\$ (1,549,070)
Depreciation expense	107,151	-	-	-	(107,151)	-	(107,151)
Public safety	3,929,118	260,914	206,771	-	(3,461,433)	-	(3,461,433)
Public works	1,034,244	-	308,811	-	(725,433)	-	(725,433)
Culture and recreation	1,192,902	212,855	30,592	100,000	(849,455)	-	(849,455)
Interest	40,161	-	-	-	(40,161)	-	(40,161)
Total	8,630,238	722,672	700,225	474,638	(6,732,703)	-	(6,732,703)
Business-type Activities:							
Water System	1,438,571	1,501,784	-	-	-	63,213	63,213
Sewer System	1,251,949	1,160,920	-	-	-	(91,029)	(91,029)
Gas System	3,608,147	3,711,239	-	-	-	103,092	103,092
Electric	31,091,475	31,490,044	-	-	-	398,569	398,569
Waste Disposal	870,245	784,689	3,615	-	-	(81,941)	(81,941)
Airport	42,752	24,805	10,668	-	-	(7,279)	(7,279)
Total	38,303,139	38,673,481	14,283	-	-	384,625	384,625
Total Primary Government	\$46,933,377	\$39,396,153	\$ 714,508	\$ 474,638	(6,732,703)	384,625	(6,348,078)
General Revenues:							
Taxes:							
General purpose levies					1,590,988	60,237	1,651,225
Sales taxes					3,309,356	-	3,309,356
Special city sales taxes					835,042	-	835,042
Franchise taxes					51,097	-	51,097
Investment earnings					18,398	22,634	41,032
Gain (loss) on asset disposals					31,384	-	31,384
Transfers					656,346	(656,346)	-
Total					6,492,611	(573,475)	5,919,136
Change in Net Position					(240,092)	(188,850)	(428,942)
Net Position, beginning					9,998,466	30,308,405	40,306,871
Net Position, ending					\$ 9,758,374	\$30,119,555	\$39,877,929

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

# CITY OF NEW ALBANY, MISSISSIPPI

## Balance Sheet - Governmental Funds

September 30, 2017

		<u>Major Funds</u>			
		<u>General Fund</u>	<u>Tourism Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash		\$ 1,689,016	\$ 359,394	\$ 895,267	\$ 2,943,677
Investments		2,225,301	-	-	2,225,301
Prepaid expenses		3,986	-	-	3,986
Due from other funds		-	104,457	-	104,457
Accounts receivable		580,392	128,632	1,029	710,053
Lease receivable		-	-	257,892	257,892
Total Assets		<u>\$ 4,498,695</u>	<u>\$ 592,483</u>	<u>\$ 1,154,188</u>	<u>\$ 6,245,366</u>
<b>LIABILITIES</b>					
Liabilities:					
Accounts payable and accrued expenses		\$ 418,005	\$ 43,258	\$ 48,849	\$ 510,112
Due to other funds		104,457	-	-	104,457
Total Liabilities		<u>522,462</u>	<u>43,258</u>	<u>48,849</u>	<u>614,569</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Advance payments received		82,150	337,500	-	419,650
Lease principal		-	-	227,477	227,477
Lease interest		-	-	30,120	30,120
		<u>82,150</u>	<u>337,500</u>	<u>257,597</u>	<u>677,247</u>
<b>FUND BALANCES</b>					
Restricted		-	-	5,218	5,218
Committed		500,000	-	-	500,000
Assigned		1,699,369	211,725	842,524	2,753,618
Unassigned		1,694,714	-	-	1,694,714
Total Fund Balances		<u>3,894,083</u>	<u>211,725</u>	<u>847,742</u>	<u>4,953,550</u>
Total Liabilities, Deferred Inflows & Fund Balances		<u>\$ 4,498,695</u>	<u>\$ 592,483</u>	<u>\$ 1,154,188</u>	<u>\$ 6,245,366</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, 2017**

	<u>Amount</u>
Total Fund Balance - Total Governmental Funds	\$ 4,953,550
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 \$ 7,749,529.	13,511,108
2. Other long-term assets are not available to pay for current period expenditures and are, therefore, not recognized in the governmental funds.	1,000,456
3. Long-term liabilities, including bonds payable, are not due and payable in the current period and are, therefore, not reported in governmental funds.	(2,070,815)
4. Accrued compensated absences are not due and payable in the current year and are, therefore, not reported in the governmental funds.	(153,204)
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>(7,482,721)</u>
Total Net Position - Governmental Activities	<u>\$ 9,758,374</u>

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

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# CITY OF NEW ALBANY, MISSISSIPPI

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

For the Year Ended September 30, 2017

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Tourism Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes	\$ 1,452,500	\$ -	\$ 83,125	\$ 1,535,625
Licenses and permits	158,439	-	-	158,439
Intergovernmental revenue	3,904,470	835,042	604,520	5,344,032
Charges for services	178,163	-	2,244	180,407
Fines and forfeitures	215,100	-	35,799	250,899
Investment earnings	9,096	160	9,142	18,398
Miscellaneous	129,777	46,552	32,905	209,234
Total Revenues	<u>6,047,545</u>	<u>881,754</u>	<u>767,735</u>	<u>7,697,034</u>
<b>Expenditures:</b>				
General government	1,532,788	569,994	47,594	2,150,376
Public safety	3,167,827	-	76,828	3,244,655
Public works	714,828	-	-	714,828
Culture and recreation	823,591	-	51,153	874,744
Debt service:				
Principal	-	73,000	27,787	100,787
Interest and other charges	-	31,260	10,332	41,592
Capital outlay	587,328	77,907	782,884	1,448,119
Total Expenditures	<u>6,826,362</u>	<u>752,161</u>	<u>996,578</u>	<u>8,575,101</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(778,817)</u>	<u>129,593</u>	<u>(228,843)</u>	<u>(878,067)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	690,027	-	72,209	762,236
Transfers out	(45,890)	(60,000)	-	(105,890)
Lease principal payments	-	-	29,261	29,261
Total Other Financing Sources (Uses)	<u>644,137</u>	<u>(60,000)</u>	<u>101,470</u>	<u>685,607</u>
<b>Special Item:</b>				
Proceeds from the disposal of capital assets	52,673	-	-	52,673
Net Change in Fund Balances	<u>(82,007)</u>	<u>69,593</u>	<u>(127,373)</u>	<u>(139,787)</u>
Fund balances - beginning	<u>3,976,090</u>	<u>142,132</u>	<u>975,115</u>	<u>5,093,337</u>
Fund balances - ending	<u>\$ 3,894,083</u>	<u>\$ 211,725</u>	<u>\$ 847,742</u>	<u>\$ 4,953,550</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, 2017**

	<u>Amount</u>
Net Change in Fund Balances - Total Governmental Funds	\$ (139,787)
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 capitalized costs exceeded depreciation expense in the current year.	627,361
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.	(15,908)
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.	(12,685)
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.	(29,261)
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.	(772,030)
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>102,218</u>
Change in Net Position of Governmental Activities	<u>\$ (240,092)</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, 2017**

	Major Funds					
	Water System	Sewer System	Gas System	Electric Department	Other Enterprise Funds	Total Enterprise Funds
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 92,530	\$ 592,567	\$ 1,655,359	\$ 7,879,768	\$ 796,680	\$ 11,016,904
Investments	493,031	-	863,932	584,154	-	1,941,117
Materials and supplies	-	-	494,236	512,680	-	1,006,916
Accounts receivable, net of allowance for doubtful accounts of \$ 150,924	495,903	183,793	194,587	4,495,164	56,046	5,425,493
Other receivables	-	-	68	128,137	-	128,205
Prepayments	-	-	11,833	23,973	-	35,806
Total current assets	1,081,464	776,360	3,220,015	13,623,876	852,726	19,554,441
Noncurrent Assets						
Notes receivable	-	-	-	26,119	-	26,119
Capital assets:						
Land	56,140	2,373	104,395	27,318	-	190,226
Distribution plant	10,620,521	11,038,989	9,228,159	33,521,526	-	64,409,195
Machinery and equipment	305,633	-	1,441,670	3,798,706	1,060,298	6,606,307
Construction in progress	-	-	-	200,307	-	200,307
Less: accumulated depreciation	(5,934,392)	(3,826,360)	(7,890,155)	(18,000,560)	(949,389)	(36,600,856)
Total non-current assets	5,047,902	7,215,002	2,884,069	19,573,416	110,909	34,831,298
Total assets	6,129,366	7,991,362	6,104,084	33,197,292	963,635	54,385,739
DEFERRED OUTFLOWS OF RESOURCES						
Pension plan	74,779	117,876	79,390	1,361,962	118,921	1,752,928
TVA Heat Pump Program	-	-	-	28,083	-	28,083
	74,779	117,876	79,390	1,390,045	118,921	1,781,011
LIABILITIES						
Current liabilities						
Accounts payable and accrued expenses	289,032	448,144	383,638	5,128,146	82,573	6,331,533
Customer deposits	126,128	-	515,281	1,345,808	-	1,987,217
Current maturities of long-term debt	33,275	240,586	-	277,873	-	551,734
Total current liabilities	448,435	688,730	898,919	6,751,827	82,573	8,870,484
Non-current liabilities						
Accrual for compensated absences	-	-	9,569	69,570	-	79,139
Notes payable	-	433,654	-	-	-	433,654
Bonds payable	1,608,616	3,195,000	-	2,354,158	-	7,157,774
Pension liability	815,112	534,791	1,270,928	6,083,785	685,251	9,389,867
Total non-current liabilities	2,423,728	4,163,445	1,280,497	8,507,513	685,251	17,060,434
Total liabilities	2,872,163	4,852,175	2,179,416	15,259,340	767,824	25,930,918
DEFERRED INFLOWS OF RESOURCES						
Pension plan	17,802	11,679	27,758	16,166	14,966	88,371
TVA Heat Pump Program	-	-	-	27,906	-	27,906
	17,802	11,679	27,758	44,072	14,966	116,277
NET POSITION						
Invested in capital assets, net of related debt	3,406,011	3,345,762	2,884,069	16,915,266	110,909	26,662,017
Temporarily restricted	33,150	442,617	-	-	-	475,767
Unrestricted	(124,981)	(542,995)	1,092,231	2,368,659	188,857	2,981,771
Total net position	\$ 3,314,180	\$ 3,245,384	\$ 3,976,300	\$ 19,283,925	\$ 299,766	\$ 30,119,555

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, 2017

	Major Funds				Other Enterprise Funds	Total Enterprise Funds
	Water System	Sewer System	Gas System	Electric Department		
<b>Operating revenues:</b>						
Charges for services	\$ 1,474,409	\$ 1,146,975	\$ 3,682,051	\$ 31,490,044	\$ 809,358	\$ 38,602,837
Other	27,375	13,945	29,188	-	136	70,644
Total operating revenues	<u>1,501,784</u>	<u>1,160,920</u>	<u>3,711,239</u>	<u>31,490,044</u>	<u>809,494</u>	<u>38,673,481</u>
<b>Operating expenses:</b>						
Natural gas purchased	-	-	1,689,824	-	-	1,689,824
Operation and maintenance	1,185,044	918,272	1,613,773	3,424,396	883,808	8,025,293
Purchased power	-	-	-	25,196,912	-	25,196,912
Depreciation and amortization	205,978	237,940	297,925	1,110,089	29,189	1,881,121
Tax equivalents	-	-	-	1,229,976	-	1,229,976
Total operating expenses	<u>1,391,022</u>	<u>1,156,212</u>	<u>3,601,522</u>	<u>30,961,373</u>	<u>912,997</u>	<u>38,023,126</u>
Operating income (loss)	<u>110,762</u>	<u>4,708</u>	<u>109,717</u>	<u>528,671</u>	<u>(103,503)</u>	<u>650,355</u>
<b>Non-operating revenues (expenses):</b>						
Interest income	1,037	713	8,923	11,093	868	22,634
Interest expense	(47,549)	(95,737)	(6,625)	(122,384)	-	(272,295)
Non-operating expenses	-	-	-	(7,718)	-	(7,718)
Property taxes	-	-	-	-	60,237	60,237
Intergovernmental revenue	-	-	-	-	14,283	14,283
Total nonoperating revenues (expenses)	<u>(46,512)</u>	<u>(95,024)</u>	<u>2,298</u>	<u>(119,009)</u>	<u>75,388</u>	<u>(182,859)</u>
Income (loss) before operating transfers	64,250	(90,316)	112,015	409,662	(28,115)	467,496
Transfers in (out)	<u>(26,507)</u>	<u>-</u>	<u>(640,519)</u>	<u>-</u>	<u>10,680</u>	<u>(656,346)</u>
Change in net position	<u>37,743</u>	<u>(90,316)</u>	<u>(528,504)</u>	<u>409,662</u>	<u>(17,435)</u>	<u>(188,850)</u>
Net position, beginning	<u>3,276,437</u>	<u>3,335,700</u>	<u>4,504,804</u>	<u>18,874,263</u>	<u>317,201</u>	<u>30,308,405</u>
Net position, ending	<u>\$ 3,314,180</u>	<u>\$ 3,245,384</u>	<u>\$ 3,976,300</u>	<u>\$ 19,283,925</u>	<u>\$ 299,766</u>	<u>\$ 30,119,555</u>

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

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# CITY OF NEW ALBANY, MISSISSIPPI

## Statement of Cash Flows - Proprietary Funds

For the Year Ended September 30, 2017

	Major Funds				Other Enterprise Funds	Total Enterprise Funds
	Water System	Sewer System	Gas System	Electric Department		
<b>Cash flows from operating activities:</b>						
Receipts from customers	\$ 1,570,204	\$ 1,161,992	\$ 3,705,260	\$ 31,620,573	\$ 809,315	\$ 38,867,344
Payments to suppliers	(946,756)	(602,209)	(2,346,670)	(25,106,373)	(476,367)	(29,478,375)
Payments to employees	(505,472)	(318,748)	(876,331)	(2,878,557)	(324,907)	(4,904,015)
Net cash provided (used) by operating activities	117,976	241,035	482,259	3,635,643	8,041	4,484,954
<b>Cash flows from non-capital financing activities:</b>						
Transfers from (to) other funds	(23,999)	-	(637,000)	(1,093,941)	10,680	(1,744,260)
Net cash provided (used) in non-capital financing activities	(23,999)	-	(637,000)	(1,093,941)	10,680	(1,744,260)
<b>Cash flows from capital and related financing activities:</b>						
Taxes and intergovernmental revenues, net	-	-	-	-	74,520	74,520
Payments for acquisition of capital assets	-	-	(157,697)	-	-	(157,697)
Principal payments on long-term debt	(31,923)	(236,275)	-	(267,795)	-	(535,993)
Net additions to utility plant	-	-	-	(952,666)	-	(952,666)
Interest paid on long-term debt	(47,549)	(95,737)	(6,625)	(122,384)	-	(272,295)
Net cash provided by (used in) capital and related financing activities	(79,472)	(332,012)	(164,322)	(1,342,845)	74,520	(1,844,131)
<b>Cash flows from investing activities:</b>						
Interest on investments	1,037	713	8,935	11,093	868	22,646
Increase in notes receivable	-	-	-	(1,435)	-	(1,435)
Cash received from maturity of certificates of deposit	-	-	-	582,993	-	582,993
Cash paid for investment in certificates of deposit	(988)	-	(1,664)	(584,154)	-	(586,806)
Net cash provided (used) by investing activities	49	713	7,271	8,497	868	17,398
Net change in cash	14,554	(90,264)	(311,792)	1,207,354	94,109	913,961
Cash and cash equivalents at beginning of year	77,976	682,831	1,967,151	6,672,414	702,571	10,102,943
Cash and cash equivalents at end of year	\$ 92,530	\$ 592,567	\$ 1,655,359	\$ 7,879,768	\$ 796,680	\$ 11,016,904
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>						
Operating income (loss)	\$ 110,762	\$ 4,708	\$ 109,717	\$ 528,671	\$ (103,503)	\$ 650,355
Nonoperating expenses	-	-	-	(7,718)	-	(7,718)
Transfers to City General Fund	-	-	-	1,093,941	-	1,093,941
Depreciation and amortization	205,978	237,940	297,925	1,110,089	29,189	1,881,121
Change in:						
Accounts receivable	67,173	1,072	(5,314)	385,404	(179)	448,156
Deferred outflows	-	-	-	-	4,861	4,861
Gas held in storage	-	-	(77,485)	-	-	(77,485)
Materials and supplies	-	-	2,735	19,930	-	22,665
Prepayments	-	-	-	7,812	-	7,812
Accounts payable and accrued expenses	(340,198)	(47,071)	44,352	33,589	40,463	(268,865)
Pension liability	(87,451)	41,403	(152,793)	844,700	37,210	683,069
Deferred inflows/outflows	160,465	2,983	259,257	(428,917)	-	(6,212)
Customer deposits	1,247	-	3,865	48,142	-	53,254
Net cash provided (used) by operating activities	\$ 117,976	\$ 241,035	\$ 482,259	\$ 3,635,643	\$ 8,041	\$ 4,484,954

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

MAY 29 2018

**CITY OF NEW ALBANY, MISSISSIPPI**

**Statement of Fiduciary Net Position**

**September 30, 2017**

	<b>Agency Funds</b>
<b>Assets</b>	
Cash	\$ 8,453
Accounts and interest receivable	-
Investments	<u>15,179</u>
Total Assets	<u>\$ 23,632</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	<u>23,632</u>
Total Liabilities	<u>\$ 23,632</u>

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

# **CITY OF NEW ALBANY, MISSISSIPPI**

## **Notes to Financial Statements**

**September 30, 2017**

### **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, 2017

### 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, 2017

### 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, 2017

### 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, 2017

### 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><u>Estimated Useful Life</u></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, 2017

### 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, 2017, 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, 2017

### 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, 2017 follows:

	<i>Accounts Receivable</i>	<i>Due from Other Governments</i>	<i>Other</i>	<i>Total Receivables</i>
Governmental activities				
General	\$ -	\$ 469,327	\$ 4,724	\$ 474,051
Tourism	-	233,089	-	233,089
Other governmental	286	54,085	1,052	55,423
Total governmental activities	<u>\$ 286</u>	<u>\$ 756,501</u>	<u>\$ 5,776</u>	<u>\$ 762,563</u>
Business-type activities				
Electric	\$ 3,721,206	\$ 773,958	\$ -	\$ 4,495,164
Gas	194,587	-	-	194,587
Water	495,903	-	-	495,903
Sewer	183,793	-	-	183,793
Other business-type	56,046	-	-	56,046
Total business-type activities	<u>\$ 4,651,535</u>	<u>\$ 773,958</u>	<u>\$ -</u>	<u>\$ 5,425,493</u>

## CITY OF NEW ALBANY, MISSISSIPPI

### Notes to Financial Statements

September 30, 2017

#### 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:

		<u>Principal</u>	<u>Interest</u>
Years ending September 30:			
	2018	\$ 30,605	\$ 7,355
	2019	31,638	6,322
	2020	32,708	5,252
	2021	33,814	4,146
	2022	46,486	2,886
	2023-2027	<u>52,225</u>	<u>4,455</u>
		<u>\$ 227,476</u>	<u>\$ 30,416</u>

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

# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2017

### NOTE 5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended September 30, 2017, was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
<b>Governmental Activities:</b>				
Non-depreciable capital assets:				
Land	\$ 1,109,750	\$ 205,796	\$ -	\$ 1,315,546
Construction in progress	1,638,307	643,790	2,064,714	217,383
Timber rights	10,000	-	-	10,000
Total non-depreciable capital assets	<u>2,758,057</u>	<u>849,586</u>	<u>2,064,714</u>	<u>1,542,929</u>
Depreciable capital assets:				
Buildings	3,394,151	-	-	3,394,151
Improvements other than buildings	6,454,501	2,025,948	-	8,480,449
Machinery and equipment	3,833,670	597,810	43,971	4,387,509
Road network	2,708,666	-	-	2,708,666
Bridge network	746,935	-	-	746,935
Total depreciable capital assets	<u>17,137,923</u>	<u>2,623,758</u>	<u>43,971</u>	<u>19,717,710</u>
Less accumulated depreciation for:				
Buildings	1,075,759	94,228	-	1,169,987
Improvements other than buildings	1,807,399	275,448	-	2,082,847
Machinery and equipment	2,730,782	300,572	28,063	3,003,291
Road network	1,189,175	94,803	-	1,283,978
Bridge network	193,210	16,218	-	209,428
Total accumulated depreciation	<u>6,996,325</u>	<u>781,269</u>	<u>28,063</u>	<u>7,749,531</u>
Net depreciable capital assets	<u>10,141,598</u>	<u>1,842,489</u>	<u>15,908</u>	<u>11,968,179</u>
Governmental activities capital assets	<u>\$ 12,899,655</u>	<u>\$ 2,692,075</u>	<u>\$ 2,080,622</u>	<u>\$ 13,511,108</u>

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

General government	\$ 107,151
Public safety	205,932
Public works, including road and bridge networks	253,884
Culture and recreation	<u>214,302</u>
	<u>\$ 781,269</u>

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# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2017

### NOTE 5. CAPITAL ASSETS (continued)

Capital asset activity for business-type activities for the year ended September 30, 2017, was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
<b>Business-Type Activities:</b>				
Non-depreciable capital assets:				
Land	\$ 190,226	\$ -	\$ -	\$ 190,226
Construction in progress	128,435	71,872	-	200,307
Total non-depreciable capital assets	<u>318,661</u>	<u>71,872</u>	<u>-</u>	<u>390,533</u>
Depreciable capital assets:				
Distribution plant	63,641,866	907,642	140,313	64,409,195
Machinery and equipment	6,341,205	307,657	42,555	6,606,307
Total depreciable capital assets	<u>69,983,071</u>	<u>1,215,299</u>	<u>182,868</u>	<u>71,015,502</u>
Less accumulated depreciation for:				
Distribution plant	30,133,528	1,742,897	216,433	31,659,992
Machinery and equipment	4,586,240	374,865	20,241	4,940,864
Total accumulated depreciation	<u>34,719,768</u>	<u>2,117,762</u>	<u>236,674</u>	<u>36,600,856</u>
Net depreciable capital assets	<u>35,263,303</u>	<u>(902,463)</u>	<u>(53,806)</u>	<u>34,414,646</u>
Business-Type activities capital assets	<u>\$ 35,581,964</u>	<u>\$ (830,591)</u>	<u>\$ (53,806)</u>	<u>\$ 34,805,179</u>

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

Electric	\$ 1,110,089
Gas	297,925
Water	205,978
Sewer	237,940
Other non-major proprietary funds	29,189
	<u>\$ 1,881,121</u>

### NOTE 6. PAYABLES

Payables at September 30, 2017, were as follows:

	<i>Vendors</i>	<i>Salaries and Benefits</i>	<i>Other</i>	<i>Total</i>
Governmental activities:				
General	\$ 227,599	\$ 55,310	\$ 59,223	\$ 342,132
Tourism	35,411	7,848	-	43,259
Other governmental	82,438	94,795	-	177,233
Total governmental activities	<u>\$ 345,448</u>	<u>\$ 157,953</u>	<u>\$ 59,223</u>	<u>\$ 562,624</u>

# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2017

### NOTE 6. PAYABLES (continued)

Payables at September 30, 2017, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Business-type activities				
Electric	\$ 4,541,268	\$ 134,647	\$ 452,231	\$ 5,128,146
Gas	145,201	9,139	229,298	383,638
Water	11,367	9,459	268,206	289,032
Sewer	29,802	3,361	414,981	448,144
Other business-type	77,583	4,490	500	82,573
Total business-type activities	<u>\$ 4,805,221</u>	<u>\$ 161,096</u>	<u>\$ 1,365,216</u>	<u>\$ 6,331,533</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, 2017, the governmental noncurrent liabilities consisted of the following:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
Capital improvement loan	3.000%	7/1/2029	229,245
Capital improvement loan	3.000%	9/1/2026	99,592
Capital improvement loan	2.000%	12/1/2028	772,978
G.O. improvement bond	3.000%	6/1/2028	969,000
Accrual for compensated absences			153,204
			<u>\$ 2,224,019</u>

#### Business-type Activities:

As of September 30, 2017, the noncurrent liabilities payable from proprietary fund resources consisted of the following:

# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2017

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### NOTE 7. NONCURRENT LIABILITIES (continued)

	<i>Interest Rate</i>	<i>Maturity Date</i>	<i>Balance</i>
State of MS Commission on Environmental Quality	1.750%	10/31/2032	437,755
Combined Revenue Bond R-1	2.750%	3/11/2049	1,641,891
Series 2013 Refunding Bond	2.00%-3.25%	5/1/2033	3,410,000
G.O. Taxable Refunding Bond R-1	3.700%	5/16/2025	2,632,031
Refunding bond Premium			21,485
Accrual for compensated absences			79,139
			<u>\$ 8,222,301</u>

The following is a summary of changes in noncurrent liabilities for the year ended September 30, 2017:

	<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	\$ 1,197,597	\$ -	\$ 95,782	\$ 1,101,815	\$ 88,757
Capital lease obligations	30,525	-	30,525	-	-
Bonds payable	1,042,000	-	73,000	969,000	76,000
Compensated absences	140,516	12,688	-	153,204	-
Total governmental fund debt	<u>\$ 2,410,638</u>	<u>\$ 12,688</u>	<u>\$ 199,307</u>	<u>\$ 2,224,019</u>	<u>\$ 164,757</u>
Business-type activities					
Bonds payable	\$ 8,193,640	\$ -	\$ 509,718	\$ 7,683,922	\$ 526,148
Refunding bond premiums	22,618	-	1,133	21,485	-
Notes payable	462,897	-	25,142	437,755	25,586
Compensated absences	79,823	-	684	79,139	-
Total enterprise fund debt	<u>\$ 8,758,978</u>	<u>\$ -</u>	<u>\$ 536,677</u>	<u>\$ 8,222,301</u>	<u>\$ 551,734</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, 2017 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>
2018	\$ 76,000	\$ 29,070	\$ 88,757	\$ 9,543
2019	78,000	26,790	90,819	8,737
2020	80,000	24,450	92,932	7,905
2021	82,000	22,050	95,096	7,049
2022	85,000	19,590	97,312	6,166
2023-2027	466,000	58,080	507,711	16,797
2028-2032	102,000	3,060	129,188	1,036
	<u>\$ 969,000</u>	<u>\$ 183,090</u>	<u>\$ 1,101,815</u>	<u>\$ 57,233</u>

# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2017

### 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>
2018	\$ 526,148	\$ 223,964	\$ 25,586	\$ 7,456
2019	542,534	208,280	26,037	7,005
2020	559,338	192,077	26,497	6,545
2021	576,578	175,339	26,964	6,078
2022	589,270	158,048	27,440	5,602
2023-2027	2,580,868	519,815	144,633	20,578
2028-2032	1,156,510	250,750	157,848	7,362
2033-2037	390,336	130,123	2,750	4
2038-2042	299,952	83,607	-	-
2043-2047	349,552	40,508	-	-
2048-2051	112,836	2,442	-	-
	<u>\$ 7,683,922</u>	<u>\$ 1,984,953</u>	<u>\$ 437,755</u>	<u>\$ 60,630</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 \$ 475,767, 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, 2017, consisted of the following:

	<i>Due From General Fund</i>
Due to Tourism Fund	<u>\$ 104,457</u>

# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2017

### NOTE 10. INTER-FUND TRANSFERS

Inter-fund transfers for the year ended September 30, 2017, 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	\$ 15,001	\$ -	\$ -	\$ 26,507	\$ 648,519	\$ 690,027
	Nonmajor governmental	12,209	60,000	-	-	-	72,209
	Major proprietary	8,000	-	-	-	(8,000)	-
	Nonmajor proprietary	10,680	-	-	-	-	10,680
		<u>\$ 45,890</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 26,507</u>	<u>\$ 640,519</u>	<u>\$ 772,916</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, 2017**

#### **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 \$ 75,694 during the year ended June 30, 2017, for the Gas, Water, and Sewer Departments amounted to \$ 11,096 during the year ended September 30, 2017.

#### **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. Certain unremitted refunds are included in notes receivable and bear interest.

Governmental fund notes receivable are discussed further in Note 17.

#### **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, 2017, the City provided \$ 50,000 in support to the Association.

The Union County Library administers the countywide library. For the fiscal year ended September 30, 2017, 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, 2017, the City provided \$ 51,046 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, 2017**

#### **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, 2017, 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, 2017, 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, 2017, 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, 2017, the City provided \$ 47,500 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 \$ 83,656 from the District to fund the required CAP loan note payments of \$ 66,564 in principal payments and \$ 17,092 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, 2017, the City's contribution to the district amounted to \$ 16,796 which was charged as "aid to other governments" to expenditures.

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

### **Notes to Financial Statements**

**September 30, 2017**

#### **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, 2017, \$ 17,378 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, 2017, the City recognized revenue of \$ 25,000 related to this sale agreement with the unamortized balance of \$ 337,500 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, 2017

#### 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. The System 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 \$ 1,102,879 for the year ended September 30, 2017.

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

At September 30, 2017, the City reported a liability of \$ 18,128,584 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017. At June 30, 2017, the City's proportion was 0.1065 %, which was an increase of .0034% from its proportion measured as of June 30, 2016.

# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2017

### NOTE 23. PENSION PLAN (continued)

For the year ended September 30, 2017, the City recognized pension expense of \$ 2,377,940. At September 30, 2017, 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	\$ 342,738	\$ 87,888
Changes in assumptions	554,515	36,690
Net difference between projected and actual earnings on pension plan investments	412,146	154,646
Changes in proportion and differences between System contributions and proportionate share of contributions	1,338,177	-
System contributions subsequent to the measurement date	552,201	-
	<u>\$ 3,199,777</u>	<u>\$ 279,224</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,	
2018	\$ 901,399
2019	808,404
2020	620,652
2021	37,897
2022	-
Therafter	-
	<u>\$ 2,368,352</u>

#### Actuarial assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.25% - 18.50%, 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, 2017

### 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 2022, with males rates set forward one year with adjustments.

The actuarial assumptions used at June 30, 2017 were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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, 2017, 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	27.00 %	4.60 %
International equity	18.00	4.50 %
Emerging markets equity	4.00	4.75 %
Global	12.00	4.75 %
Fixed income	18.00	0.75 %
Real assets	10.00	3.50 %
Private equity	8.00	5.10 %
Emerging debt	2.00	2.25 %
Cash	1.00	- %
	<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.

# CITY OF NEW ALBANY, MISSISSIPPI

## Notes to Financial Statements September 30, 2017

### NOTE 23. PENSION PLAN (continued)

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

	<u>1%</u>	<u>Current</u>	<u>1%</u>
	<u>Decrease</u>	<u>Discount</u>	<u>Increase</u>
		<u>Rate</u>	
System's proportionate share of the net pension liability	\$ 23,220,866	\$ 17,703,915	\$ 13,124,476

#### Pension plan fiduciary net position

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

#### Payables to the pension plan

Amounts included in accounts payable and accrued expenses related to PERS contributions payable at September 30, 2017 are not material to the financial statements.

### NOTE 24. TAX ABATEMENTS

The City enters into property tax abatement agreements with local businesses based on the authority provided under Mississippi Code Section 27-31-105. Under the code section, the City may grant exemption from ad valorem taxes levied by the City to certain entities defined under code section 27-31-101. The exemption applies to additions to or expansions of facilities or properties, or replacements of equipment used in connection with or necessary to the operation of such enterprises and extends for a period not to exceed ten years. The purpose of the abatement is to attract or retain business within their jurisdiction. The City has not made any commitments as part of the agreements other than to reduce taxes.

For the year ended September 30, 2017, the City abated property taxes totaling \$ 54,917. Eight new agreements were entered into by the City in 2017 and thirty-nine agreements were in effect as of the end of the reporting period.

## Required Supplementary Information



**CITY OF NEW ALBANY, MISSISSIPPI**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended September 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	
<b>Revenues:</b>				
Taxes	\$ 1,211,400	\$ 1,211,400	\$ 1,199,512	\$ (11,888)
Licenses and permits	132,700	147,785	147,785	-
Intergovernmental revenue	4,137,782	3,890,798	3,897,623	6,825
Charges for services	226,220	183,002	176,960	(6,042)
Fines and forfeitures	337,000	216,663	216,663	-
Investment earnings	10,000	10,000	3,259	(6,741)
Miscellaneous	66,750	161,963	165,833	3,870
Total Revenues	<u>6,121,852</u>	<u>5,821,611</u>	<u>5,807,635</u>	<u>(13,976)</u>
<b>Expenditures:</b>				
General government:				
Legislative:				
Personal services	115,571	115,571	108,717	6,854
Supplies	50	50	44	6
Other services and charges	11,600	11,600	10,538	1,062
	<u>127,221</u>	<u>127,221</u>	<u>119,299</u>	<u>7,922</u>
Judicial:				
Personal services	129,254	144,591	144,591	-
Supplies	7,000	2,956	2,956	-
Other services and charges	34,550	27,590	27,590	-
Capital outlay	-	4,650	4,650	-
	<u>170,804</u>	<u>179,787</u>	<u>179,787</u>	<u>-</u>
Executive:				
Personal services	158,515	158,515	156,150	2,365
Supplies	6,600	6,600	3,222	3,378
Other services and charges	9,175	9,175	6,134	3,041
Capital outlay	-	-	-	-
	<u>174,290</u>	<u>174,290</u>	<u>165,506</u>	<u>8,784</u>
Elections:				
Personal services	11,500	6,671	6,671	-
Supplies	750	750	-	750
Other services and charges	13,300	6,157	6,157	-
Capital outlay	-	-	-	-
	<u>25,550</u>	<u>13,578</u>	<u>12,828</u>	<u>750</u>
Financial:				
Personal services	105,771	105,771	100,416	5,355
Supplies	6,550	6,550	5,633	917
Other services and charges	112,225	77,390	77,390	-
	<u>224,546</u>	<u>189,711</u>	<u>183,439</u>	<u>6,272</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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
<b>Expenditures - Continued:</b>				
Legal:				
Personal services	77,199	77,323	77,323	-
Supplies	50	50	-	50
Other services and charges	7,350	7,350	3,592	3,758
	<u>84,599</u>	<u>84,723</u>	<u>80,915</u>	<u>3,808</u>
Building Inspector:				
Personal services	112,220	112,220	109,793	2,427
Supplies	16,850	16,850	10,082	6,768
Other services and charges	13,150	13,150	8,598	4,552
	<u>142,220</u>	<u>142,220</u>	<u>128,473</u>	<u>13,747</u>
Public property:				
Personal services	129,870	129,870	127,175	2,695
Supplies	22,050	22,050	17,100	4,950
Other services and charges	138,975	138,975	125,584	13,391
Capital outlay	12,000	5,894	5,894	-
	<u>302,895</u>	<u>296,789</u>	<u>275,753</u>	<u>21,036</u>
Miscellaneous:				
Personal services	10,000	10,000	7,577	2,423
Supplies	750	750	505	245
Other services and charges	412,120	392,430	370,702	21,728
	<u>422,870</u>	<u>403,180</u>	<u>378,784</u>	<u>24,396</u>
Public Safety:				
Police:				
Personal services	1,668,569	1,668,569	1,593,700	74,869
Supplies	141,000	152,748	152,478	270
Other services and charges	149,800	167,164	167,164	-
Capital outlay	55,000	48,659	48,659	-
	<u>2,014,369</u>	<u>2,037,140</u>	<u>1,962,001</u>	<u>75,139</u>
Fire:				
Personal services	1,146,252	1,146,252	951,016	195,236
Supplies	72,725	81,089	81,089	-
Other services and charges	57,550	57,550	56,119	1,431
Capital outlay	5,000	-	-	-
	<u>1,281,527</u>	<u>1,284,891</u>	<u>1,088,224</u>	<u>196,667</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures - Continued:</b>				
Streets:				
Personal services	452,731	452,731	366,100	86,631
Supplies	140,400	119,434	119,328	106
Other services and charges	211,700	211,700	211,806	(106)
Capital outlay	88,500	102,098	102,098	-
	<u>893,331</u>	<u>885,963</u>	<u>799,332</u>	<u>86,631</u>
Recreation:				
Personal services	523,330	523,330	514,262	9,068
Supplies	213,250	225,865	225,865	-
Other services and charges	84,350	84,350	74,370	9,980
Capital outlay	116,200	116,200	113,328	2,872
	<u>937,130</u>	<u>949,745</u>	<u>927,825</u>	<u>21,920</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in (out)	669,000	669,000	669,000	-
Proceeds from the disposal of capital assets	10,500	10,500	13,608	3,108
	<u>679,500</u>	<u>679,500</u>	<u>682,608</u>	<u>3,108</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	(268,127)	188,077	<u>\$ 456,204</u>
Fund balance - beginning of year	<u>1,627,492</u>	<u>1,213,872</u>	<u>2,135,721</u>	
Fund balance - end of year	<u>\$ 1,627,492</u>	<u>\$ 945,745</u>	<u>\$ 2,323,798</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budgetary basis			188,077	
Revenue and expense accruals, net			<u>(270,084)</u>	
Modified accrual basis			<u>\$ (82,007)</u>	

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

**CITY OF NEW ALBANY, MISSISSIPPI**  
**Budgetary Comparison Schedule - Tourism Fund**  
**For the Year Ended September 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Project donations	\$ 17,500	\$ 21,186	\$ 21,552	366
Intergovernmental revenue	766,909	766,909	766,583	(326)
Miscellaneous revenue	-	-	-	-
Investment earnings	200	200	160	(40)
Total Revenues	<u>784,609</u>	<u>788,295</u>	<u>788,295</u>	<u>-</u>
<b>Expenditures:</b>				
General government:				
Heritage Museum				
Personal services	103,234	103,234	97,506	5,728
Other services and charges	32,000	32,000	30,500	1,500
Capital outlay	25,000	25,000	25,000	-
	<u>160,234</u>	<u>160,234</u>	<u>153,006</u>	<u>7,228</u>
City Beautification:				
Other services and charges	57,212	57,212	49,991	7,221
	<u>57,212</u>	<u>57,212</u>	<u>49,991</u>	<u>7,221</u>
Cine' Restoration:				
Other services and charges	37,000	37,000	24,469	12,531
Capital outlay	40,000	40,000	40,000	-
	<u>77,000</u>	<u>77,000</u>	<u>64,469</u>	<u>12,531</u>
Tourism & Marketing				
Personal services	71,703	72,579	72,579	-
Consumable supplies	102,200	124,492	124,492	-
	<u>173,903</u>	<u>197,071</u>	<u>197,071</u>	<u>-</u>
New Albany Main Street:				
Other services and charges	52,000	52,000	50,312	1,688
	<u>52,000</u>	<u>52,000</u>	<u>50,312</u>	<u>1,688</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 (Continued)

For the Year Ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	
<b>Expenditures - Continued:</b>				
Miscellaneous:				
Other services and charges	160,000	174,842	174,842	-
Capital outlay	104,260	104,260	95,083	9,177
	<u>264,260</u>	<u>279,102</u>	<u>269,925</u>	<u>9,177</u>
 Debt service	 -	 -	 -	 -
<b>Other Financing Sources (Uses):</b>				
Operating transfers in (out)	-	-	-	-
Loan proceeds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	 -	 (34,324)	 3,521	 <u>\$ 37,845</u>
 Fund balance - beginning of year	 <u>176,006</u>	 <u>144,733</u>	 <u>166,792</u>	
Fund balance - end of year	<u>\$ 176,006</u>	<u>\$ 110,409</u>	<u>\$ 170,313</u>	
 Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budgetary basis			3,521	
Revenue and expense accruals, net			<u>66,072</u>	
Modified accrual basis			<u>\$ 69,593</u>	

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

# CITY OF NEW ALBANY, MISSISSIPPI

## Schedule of Required Supplementary Information - Pension

September 30, 2017

Last 4 Fiscal Years\*

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.1065%	0.1031%	0.1039%	0.1001%
City's proportionate share of the net pension liability	\$ 18,128,584	\$ 17,576,074	\$ 14,925,261	\$ 12,721,932
City's covered-employee payroll	\$ 7,002,406	\$ 6,512,057	\$ 6,298,343	\$ 6,179,214
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	258.8908%	269.9005%	236.9712%	205.8827%
Plan fiduciary net position as a percentage of the total pension liability	61.4901%	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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,102,879	\$ 1,025,649	\$ 991,989	\$ 973,226
Contributions in relation to contractually required contribution	<u>(1,102,879)</u>	<u>(1,025,649)</u>	<u>(991,989)</u>	<u>(973,226)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
System's covered-employee payroll	\$ 7,002,406	\$ 6,512,057	\$ 6,298,343	\$ 6,179,214
Contributions as a percentage of covered-employee payroll	15.75%	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, 2017

#### 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 2017, the actuarial assumption for salary increases was modified from 3.75% - 19.00% to 3.25% - 18.50%

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

None identified during periods presented in the required supplementary information

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## Combining Fund Statements



**CITY OF NEW ALBANY, MISSISSIPPI**  
**Combining Balance Sheets - All General Funds**  
**September 30, 2017**

	<b>General Fund</b>	<b>Clearing Accounts</b>	<b>CDBG Grants</b>	<b>Water &amp; Sewer Improvement Fund</b>	<b>Street Improvement Fund</b>	<b>HUD Programs</b>	<b>Health Reimburse- ment Account</b>	<b>Total General Funds</b>
<b>ASSETS</b>								
Cash	\$ 558,645	\$ 79,258	\$ 50,147	\$ 323,065	\$ 675,145	\$ 60	\$ 2,696	\$ 1,689,016
Investments	1,582,469	-	-	642,832	-	-	-	2,225,301
Prepaid expenses	3,986	-	-	-	-	-	-	3,986
Due from other funds	-	-	-	-	-	-	-	-
Accounts receivable	578,508	264	832	788	-	-	-	580,392
	<u>\$ 2,723,608</u>	<u>\$ 79,522</u>	<u>\$ 50,979</u>	<u>\$ 966,685</u>	<u>\$ 675,145</u>	<u>\$ 60</u>	<u>\$ 2,696</u>	<u>\$ 4,498,695</u>
<b>LIABILITIES</b>								
Accounts payable and accrued expenses	\$ 342,131	\$ 79,678	\$ -	\$ -	\$ (3,804)	\$ -	\$ -	\$ 418,005
Due to other funds	104,457	-	-	-	-	-	-	104,457
	<u>446,588</u>	<u>79,678</u>	<u>-</u>	<u>-</u>	<u>(3,804)</u>	<u>-</u>	<u>-</u>	<u>522,462</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Advance payments received	82,150	-	-	-	-	-	-	82,150
<b>FUND BALANCES</b>								
Restricted	-	-	-	-	-	-	-	-
Committed	500,000	-	-	-	-	-	-	500,000
Assigned	-	-	50,979	966,685	678,949	60	2,696	1,699,369
Unassigned	1,694,870	(156)	-	-	-	-	-	1,694,714
	<u>2,194,870</u>	<u>(156)</u>	<u>50,979</u>	<u>966,685</u>	<u>678,949</u>	<u>60</u>	<u>2,696</u>	<u>3,894,083</u>
	<u>\$ 2,723,608</u>	<u>\$ 79,522</u>	<u>\$ 50,979</u>	<u>\$ 966,685</u>	<u>\$ 675,145</u>	<u>\$ 60</u>	<u>\$ 2,696</u>	<u>\$ 4,498,695</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, 2017

	General Fund	Clearing Accounts	CDBG Grants	Water & Sewer Improvement Fund	Street Improvement Fund	HUD Programs	Health Reimburse- ment Account	Total General Funds
<b>Revenues:</b>								
Taxes	\$ 1,253,783	\$ -	\$ -	\$ -	\$ 198,717	\$ -	\$ -	\$ 1,452,500
Licenses and permits	158,439	-	-	-	-	-	-	158,439
Intergovernmental revenue	3,876,683	-	-	-	27,787	-	-	3,904,470
Charges for services	178,163	-	-	-	-	-	-	178,163
Fines and forfeitures	215,100	-	-	-	-	-	-	215,100
Investment earnings	6,402	-	25	1,746	921	-	2	9,096
Miscellaneous	129,777	-	-	-	-	-	-	129,777
Total Revenues	<u>5,818,347</u>	<u>-</u>	<u>25</u>	<u>1,746</u>	<u>227,425</u>	<u>-</u>	<u>2</u>	<u>6,047,545</u>
<b>Expenditures:</b>								
General government	1,479,327	-	-	-	32,364	-	21,097	1,532,788
Public safety	3,167,827	-	-	-	-	-	-	3,167,827
Public works	714,828	-	-	-	-	-	-	714,828
Culture and recreation	823,591	-	-	-	-	-	-	823,591
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-
Capital outlay	299,497	-	-	-	287,831	-	-	587,328
Total Expenditures	<u>6,485,070</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>320,195</u>	<u>-</u>	<u>21,097</u>	<u>6,826,362</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(666,723)</u>	<u>-</u>	<u>25</u>	<u>1,746</u>	<u>(92,770)</u>	<u>-</u>	<u>(21,095)</u>	<u>(778,817)</u>
<b>Other Financing Sources (Uses):</b>								
Transfers in	675,027	-	-	-	-	-	15,000	690,027
Transfers out	(45,890)	-	-	-	-	-	-	(45,890)
Lease principal payments	-	-	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>629,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>644,137</u>
<b>Special Item:</b>								
Proceeds from the disposal of capital assets	52,673	-	-	-	-	-	-	52,673
Net Change in Fund Balances	15,087	-	25	1,746	(92,770)	-	(6,095)	(82,007)
Fund balances - beginning	2,179,783	(156)	50,954	964,939	771,719	60	8,791	3,976,090
Fund balances - ending	<u>\$ 2,194,870</u>	<u>\$ (156)</u>	<u>\$ 50,979</u>	<u>\$ 966,685</u>	<u>\$ 678,949</u>	<u>\$ 60</u>	<u>\$ 2,696</u>	<u>\$ 3,894,083</u>

**CITY OF NEW ALBANY, MISSISSIPPI**  
**Combining Balance Sheets - Nonmajor Governmental Funds**  
**September 30, 2017**

	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
<b>ASSETS</b>											
Cash	\$ 546,429	\$ 114,332	\$ 12	\$ 6,285	\$ 2,290	\$ 1,813	\$ 31	\$ 6,795	\$ 4,297	\$ 14,702	\$ 696,986
Investments	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	743	-	-	-	-	-	-	-	-	743
Lease receivable	-	-	-	-	-	-	-	-	-	257,892	257,892
	<u>\$ 546,429</u>	<u>\$ 115,075</u>	<u>\$ 12</u>	<u>\$ 6,285</u>	<u>\$ 2,290</u>	<u>\$ 1,813</u>	<u>\$ 31</u>	<u>\$ 6,795</u>	<u>\$ 4,297</u>	<u>\$ 272,594</u>	<u>\$ 955,621</u>
<b>LIABILITIES</b>											
Accounts payable and accrued expenses	\$ 1,860	\$ 16,343	\$ -	\$ -	\$ 139	\$ -	\$ -	\$ 557	\$ 2,833	\$ -	\$ 21,732
<b>DEFERRED INFLOWS OF RESOURCES</b>											
Lease principal	-	-	-	-	-	-	-	-	-	227,477	227,477
Lease interest	-	-	-	-	-	-	-	-	-	30,120	30,120
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257,597</u>	<u>257,597</u>
<b>FUND BALANCE</b>											
Restricted	-	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-	-
Assigned	544,569	98,732	12	6,285	2,151	1,813	31	6,238	1,464	14,997	676,292
Unassigned	-	-	-	-	-	-	-	-	-	-	-
	<u>544,569</u>	<u>98,732</u>	<u>12</u>	<u>6,285</u>	<u>2,151</u>	<u>1,813</u>	<u>31</u>	<u>6,238</u>	<u>1,464</u>	<u>14,997</u>	<u>676,292</u>
	<u>\$ 546,429</u>	<u>\$ 115,075</u>	<u>\$ 12</u>	<u>\$ 6,285</u>	<u>\$ 2,290</u>	<u>\$ 1,813</u>	<u>\$ 31</u>	<u>\$ 6,795</u>	<u>\$ 4,297</u>	<u>\$ 272,594</u>	<u>\$ 955,621</u>

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

**September 30, 2017**

	<u>Debt Service</u>		<u>Capital Projects</u>					<u>Total</u>	<u>Total</u>
	<u>Industrial</u>	<u>Total</u>	<u>Park</u>	<u>Economic</u>	<u>Magnolia</u>	<u>New Albany/</u>		<u>Capital</u>	<u>Total</u>
	<u>Park</u>	<u>Debt Service</u>	<u>Along the</u>	<u>and Industrial</u>	<u>Civic</u>	<u>Union County</u>		<u>Project</u>	<u>All</u>
	<u>Funds</u>	<u>Funds</u>	<u>River</u>	<u>Development</u>	<u>Center</u>	<u>Airport</u>	<u>Sportsplex</u>	<u>Funds</u>	<u>Nonmajor</u>
				<u>Fund</u>		<u>Grant</u>			<u>Funds</u>
<b>ASSETS</b>									
Cash	\$ 247	\$ 247	\$ 110,277	\$ 5,217	\$ 40,021	\$ 17,302	\$ 25,217	\$ 198,034	\$ 895,267
Investments	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Accounts receivable	286	286	-	-	-	-	-	-	1,029
Lease receivable	-	-	-	-	-	-	-	-	257,892
	<u>\$ 533</u>	<u>\$ 533</u>	<u>\$ 110,277</u>	<u>\$ 5,217</u>	<u>\$ 40,021</u>	<u>\$ 17,302</u>	<u>\$ 25,217</u>	<u>\$ 198,034</u>	<u>\$ 1,154,188</u>
<b>LIABILITIES</b>									
Accounts payable and accrued expenses	\$ -	\$ -	\$ 3,415	\$ (1)	\$ 838	\$ 21,116	\$ 1,749	\$ 27,117	\$ 48,849
Due to other funds	-	-	-	-	-	-	-	-	-
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Lease principal	-	-	-	-	-	-	-	-	227,477
Lease interest	-	-	-	-	-	-	-	-	30,120
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257,597</u>
<b>FUND BALANCE</b>									
Restricted	-	-	-	5,218	-	-	-	5,218	5,218
Committed	-	-	-	-	-	-	-	-	-
Assigned	533	533.00	106,862	-	39,183	(3,814)	23,468	165,699	842,524
Unassigned	-	-	-	-	-	-	-	-	-
	<u>533</u>	<u>533</u>	<u>106,862</u>	<u>5,218</u>	<u>39,183</u>	<u>(3,814)</u>	<u>23,468</u>	<u>170,917</u>	<u>847,742</u>
	<u>\$ 533</u>	<u>\$ 533</u>	<u>\$ 110,277</u>	<u>\$ 5,217</u>	<u>\$ 40,021</u>	<u>\$ 17,302</u>	<u>\$ 25,217</u>	<u>\$ 198,034</u>	<u>\$ 1,154,188</u>

# CITY OF NEW ALBANY, MISSISSIPPI

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

For the Year Ended September 30, 2017

	Special Revenue										Total
	New Albany/ Union County			Keep				Tallahatchie	Freedom	CAP	Special
	Fire	Drug		Local	New Albany/ Union County	Dare	Law	River	Celebration	Loans	Revenue
	Protection	Task Force	COPS	Records Management	Beautiful	Program	Enforcement	Players	2007		Funds
Revenues:											
Taxes	\$ 83,125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,125
Intergovernmental revenue	49,989	96,000	-	-	-	-	-	-	-	-	145,989
Charges for services	-	-	-	-	-	-	-	260	-	-	260
Fines and forfeitures	-	35,799	-	-	-	-	-	-	-	-	35,799
Investment earnings	287	61	-	3	-	1	-	-	-	8,700	9,052
Miscellaneous	-	4,052	-	352	-	-	-	7,565	150	-	12,119
Total Revenues	133,401	135,912	-	355	-	1	-	7,825	150	8,700	286,344
Expenditures:											
General government	-	-	-	-	-	-	-	-	-	-	-
Public safety	20,375	56,453	-	-	-	-	-	-	-	-	76,828
Culture and recreation	-	-	-	-	-	-	-	9,848	339	-	10,187
Debt service:											
Principal	-	-	-	-	-	-	-	-	-	27,787	27,787
Interest and other charges	-	-	-	-	-	-	-	-	-	10,332	10,332
Capital outlay	349,026	75,909	-	-	-	-	-	-	-	-	424,935
Total Expenditures	369,401	132,362	-	-	-	-	-	9,848	339	38,119	550,069
Excess (Deficiency) of Revenues											
over Expenditures	(236,000)	3,550	-	355	-	1	-	(2,023)	(189)	(29,419)	(263,725)
Other Financing Sources (Uses):											
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Lease principal payments	-	-	-	-	-	-	-	-	-	29,261	29,261
Total Other Sources (Uses)	-	-	-	-	-	-	-	-	-	29,261	29,261
Net Change in Fund Balances	(236,000)	3,550	-	355	-	1	-	(2,023)	(189)	(158)	(234,464)
Fund balances - beginning	780,569	95,182	12	5,930	2,151	1,812	31	8,261	1,653	15,155	910,756
Fund balances - ending	\$ 544,569	\$ 98,732	\$ 12	\$ 6,285	\$ 2,151	\$ 1,813	\$ 31	\$ 6,238	\$ 1,464	\$ 14,997	\$ 676,292

# 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, 2017

	<u>Debt Service</u>		<u>Capital Projects</u>					<u>Total</u>	<u>Total</u>
	<u>Industrial</u>	<u>Total</u>	<u>Park</u>	<u>Economic</u>	<u>Magnolia</u>	<u>New Albany/</u>		<u>Capital</u>	<u>Total</u>
	<u>Park</u>	<u>Debt Service</u>	<u>Along the</u>	<u>and Industrial</u>	<u>Civic</u>	<u>Union County</u>		<u>Project</u>	<u>All</u>
	<u>Funds</u>	<u>Funds</u>	<u>River</u>	<u>Development</u>	<u>Center</u>	<u>Airport</u>	<u>Sportsplex</u>	<u>Funds</u>	<u>Nonmajor</u>
				<u>Fund</u>		<u>Grant</u>			<u>Funds</u>
<b>Revenues:</b>									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,125
Intergovernmental revenue	-	-	100,000	16,211	-	342,320	-	458,531	604,520
Charges for services	-	-	-	-	1,984	-	-	1,984	2,244
Fines and forfeitures	-	-	-	-	-	-	-	-	35,799
Investment earnings	-	-	25	1	27	22	15	90	9,142
Miscellaneous	-	-	-	-	366	-	20,420	20,786	32,905
Total Revenues	-	-	100,025	16,212	2,377	342,342	20,435	481,391	767,735
<b>Expenditures:</b>									
General government	-	-	-	20,618	-	218	26,758	47,594	47,594
Public safety	-	-	-	-	-	-	-	-	76,828
Culture and recreation	-	-	2,379	-	38,587	-	-	40,966	51,153
Principal	-	-	-	-	-	-	-	-	27,787
Interest and other charges	-	-	-	-	-	-	-	-	10,332
Capital outlay	-	-	3,246	-	240	352,713	1,750	357,949	782,884
Total Expenditures	-	-	5,625	20,618	38,827	352,931	28,508	446,509	996,578
Excess (Deficiency) of Revenues over Expenditures	-	-	94,400	(4,406)	(36,450)	(10,589)	(8,073)	34,882	(228,843)
<b>Other Financing Sources (Uses):</b>									
Transfers in	-	-	10,000	4,241	50,000	7,968	-	72,209	72,209
Transfers out	-	-	-	-	-	-	-	-	-
Lease principal payments	-	-	-	-	-	-	-	-	29,261
Total Other Sources (Uses)	-	-	10,000	4,241	50,000	7,968	-	72,209	101,470
Net Change in Fund Balances	-	-	104,400	(165)	13,550	(2,621)	(8,073)	107,091	(127,373)
Fund balances - beginning	533	533	2,462	5,383	25,633	(1,193)	31,541	63,826	975,115
Fund balances - ending	<u>\$ 533</u>	<u>\$ 533</u>	<u>\$ 106,862</u>	<u>\$ 5,218</u>	<u>\$ 39,183</u>	<u>\$ (3,814)</u>	<u>\$ 23,468</u>	<u>\$ 170,917</u>	<u>\$ 847,742</u>

# CITY OF NEW ALBANY, MISSISSIPPI

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

September 30, 2017

	<u>Waste Disposal</u>	<u>New Albany/ Union County Airport</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 766,840	\$ 29,840	\$ 796,680
Accounts receivable	<u>52,692</u>	<u>3,354</u>	<u>56,046</u>
Total current assets	<u>819,532</u>	<u>33,194</u>	<u>852,726</u>
<b>Noncurrent Assets</b>			
Capital assets:			
Machinery and equipment	1,028,307	31,991	1,060,298
Less: accumulated depreciation	<u>(931,107)</u>	<u>(18,282)</u>	<u>(949,389)</u>
Total non-current assets	<u>97,200</u>	<u>13,709</u>	<u>110,909</u>
<b>DEFERRED OUTFLOWS</b>			
Pension plan	<u>118,921</u>	<u>-</u>	<u>118,921</u>
Total assets and Deferred Outflows	<u>1,035,653</u>	<u>46,903</u>	<u>1,082,556</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	<u>81,004</u>	<u>1,569</u>	<u>82,573</u>
Total current liabilities	<u>81,004</u>	<u>1,569</u>	<u>82,573</u>
<b>Noncurrent liabilities</b>			
Pension liability	<u>685,251</u>	<u>-</u>	<u>685,251</u>
Total noncurrent liabilities	<u>685,251</u>	<u>-</u>	<u>685,251</u>
<b>DEFERRED INFLOWS</b>			
Pension plan	<u>14,966</u>	<u>-</u>	<u>14,966</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	97,200	13,709	110,909
Unrestricted	<u>157,232</u>	<u>31,625</u>	<u>188,857</u>
Total net position	<u>\$ 254,432</u>	<u>\$ 45,334</u>	<u>\$ 299,766</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, 2017

	Waste Disposal	New Albany/ Union County Airport	Total Nonmajor Enterprise Funds
<b>Operating revenues:</b>			
Charges for services	\$ 784,553	\$ 24,805	\$ 809,358
Other	<u>136</u>	<u>-</u>	<u>136</u>
Total operating revenues	<u>784,689</u>	<u>24,805</u>	<u>809,494</u>
<b>Operating expenses:</b>			
Depreciation and amortization	27,049	2,140	29,189
Operation and maintenance	<u>843,196</u>	<u>40,612</u>	<u>883,808</u>
Total operating expenses	<u>870,245</u>	<u>42,752</u>	<u>912,997</u>
Operating income (loss)	<u>(85,556)</u>	<u>(17,947)</u>	<u>(103,503)</u>
<b>Non-operating revenues (expenses)</b>			
Interest income	854	14	868
Interest expense	-	-	-
Gain on sale of plant	-	-	-
Property taxes	60,237	-	60,237
Intergovernmental revenue	<u>3,615</u>	<u>10,668</u>	<u>14,283</u>
Total nonoperating revenues (expenses)	<u>64,706</u>	<u>10,682</u>	<u>75,388</u>
Income (loss) before operating transfers	(20,850)	(7,265)	(28,115)
Transfers in (out)	<u>-</u>	<u>10,680</u>	<u>10,680</u>
Change in net position	(20,850)	3,415	(17,435)
Net position, beginning	<u>275,282</u>	<u>41,919</u>	<u>317,201</u>
Net position, ending	<u>\$ 254,432</u>	<u>\$ 45,334</u>	<u>\$ 299,766</u>



# CITY OF NEW ALBANY, MISSISSIPPI

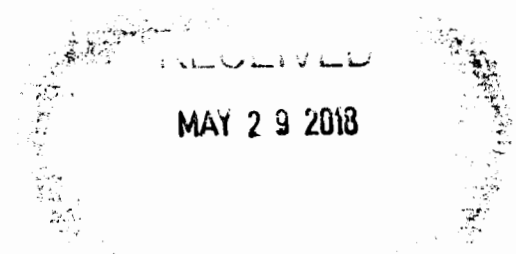
## Combining Statement of Cash Flows - Nonmajor Proprietary Funds

For the Year Ended September 30, 2017

	<u>Waste Disposal</u>	<u>New Albany/ Union County Airport</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 787,364	\$ 21,951	\$ 809,315
Cash payments to suppliers for goods and services	(435,694)	(40,673)	(476,367)
Cash payments to employees	(324,907)	-	(324,907)
Net cash provided by (used in) operating activities	<u>26,763</u>	<u>(18,722)</u>	<u>8,041</u>
<b>Cash flows from non-capital financing activities:</b>			
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>
<b>Cash flows from capital and related financing activities:</b>			
Taxes and intergovernmental revenues, net	63,852	10,668	74,520
Payments for acquisition of capital assets	-	-	-
Net cash provided by (used in) capital and related financing activities	<u>63,852</u>	<u>10,668</u>	<u>74,520</u>
<b>Cash flows from investing activities:</b>			
Interest on investments	854	14	868
Net change in cash	91,469	2,640	94,109
Cash and cash equivalents at beginning of year	675,371	27,200	702,571
Cash and cash equivalents at end of year	<u>\$ 766,840</u>	<u>\$ 29,840</u>	<u>\$ 796,680</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (85,556)	\$ (17,947)	\$ (103,503)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	27,049	2,140	29,189
Decrease (increase) in:			
Accounts receivable	2,675	(2,854)	(179)
Increase (decrease) in:			
Accounts payable and accrued expenses	40,524	(61)	40,463
Pension liability	37,210	-	37,210
Deferred inflows/outflows	4,861	-	4,861
Net cash provided by operating activities	<u>\$ 26,763</u>	<u>\$ (18,722)</u>	<u>\$ 8,041</u>

**CITY OF NEW ALBANY, MISSISSIPPI**  
**Combining Statement of Fiduciary Net Position**  
**September 30, 2017**

	<u>Unemployment Tax</u>	<u>Flexible Spending</u>	<u>Total Fiduciary Funds</u>
<b>Assets</b>			
Cash	\$ 2,199	\$ 6,254	\$ 8,453
Accounts and interest receivable	-	-	-
Investments	<u>15,179</u>	<u>-</u>	<u>15,179</u>
Total Assets	<u>\$ 17,378</u>	<u>\$ 6,254</u>	<u>\$ 23,632</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	<u>17,378</u>	<u>6,254</u>	<u>23,632</u>
Total Liabilities	<u>\$ 17,378</u>	<u>\$ 6,254</u>	<u>\$ 23,632</u>



**Other Supplemental Information**

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# CITY OF NEW ALBANY, MISSISSIPPI

## Schedule of Surety Bonds for Municipal Officials

September 30, 2017

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
Megan Allred	Deputy Clerk/Payroll	RLI Insurance Company	\$ 50,000
Elizabeth Russom	Deputy Clerk	RLI Insurance Company	\$ 50,000
Tina Wood	Court Clerk	RLI Insurance Company	\$ 50,000
Tiffany Gates	Deputy Clerk	Brierfield Insurance	\$ 50,000
Amanda Chism	Court Clerk	EMC Insurance	\$ 50,000
Robbie Murry	Deputy Clerk	RLI Insurance Company	\$ 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
William Anderson	Policeman	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
Will Cherry	Policeman	Brierfield Insurance	\$ 25,000
Jeff Chism	Policeman	RLI Insurance Company	\$ 50,000
Lilianna Castillo	Policeman	Brierfield Insurance	\$ 50,000
Brandon Clayton	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
Justin Gregory	Policeman	RLI Insurance Company	\$ 50,000
Chad Jarvis	Policeman	Brierfield Insurance	\$ 50,000
Kevin Johnson	Policeman	RLI Insurance Company	\$ 50,000
Joe Keaton	Policeman	RLI Insurance Company	\$ 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
Joe McDonald	Policeman	RLI Insurance Company	\$ 50,000
Stephen Nolen	Policeman	RLI Insurance Company	\$ 50,000
Brandon Pannell	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
Gabriel Wilson	Policeman	Brierfield Insurance	\$ 50,000
Roland Yarbrough	Policeman	RLI Insurance Company	\$ 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
Wendy Speck	Utility Department	RLI Insurance Company	\$ 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, 2017**

**Finding  
Reference  
Number**

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

2017-001

**Condition:**

Due to conversion to an outsourced payroll solution during the fiscal year which was, consequently, not integrated with the City's financial management system, payroll expense and related tax remittances were unrecorded in the general ledger for pay periods ending August 11, 2017 through the City's fiscal year end and beyond.

**Criteria:**

The financial effects of all transactions and related assets and liabilities should be recorded in the appropriate accounting period and bank reconciliations should be performed in a timely fashion to help identify unrecorded transactions.

**Cause:**

The providers of the outsourced payroll solution were unable to produce reports to facilitate posting of payroll transactions in a timely fashion.

**Effect:**

Understatement of payroll expenses and overstatement of payroll clearing bank accounts.

**Recommendation:**

Insure that outsourced payroll providers are able to produce adequate reports in a timely fashion to ensure that City personnel have sufficient information to record payroll transactions in the appropriate accounting period.

**Management's Response:**

The City has terminated the outsourced payroll solution and upgraded the integrated payroll module within the City's financial management system

2017-002

**Condition:**

310 tickets from the e-citation system were never loaded onto the municipal court clerk system.

**Criteria:**

All e-citations should be loaded onto the municipal court clerk system so that the cases can be pursued to closure.

**Cause:**

The ARMS system, which was supposed to automate the process of transmitting e-citations to the municipal court clerk system, never worked as intended, resulting in manual processes to record citations.

**Effect:**

Potential understatement of fines revenue.

**Recommendation:**

Develop a process to ensure that all citations are captured in the system.

**Management's Response:**

The City received a refund from the vendor of the ARMS system during the year and subsequent to year end automation of the process was completed.

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

For the year ended September 30, 2017

**Finding  
Reference  
Number**

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

2017-003

**Condition:**

The City Clerk failed to remit the State's allotment of fines and fees collected during the month of December, 2016.

**Criteria:**

Each month, the municipal court clerk provides a break down of fines and fees, including amounts to be remitted to the State from collections by the municipal clerk. Such remittances should be made in a timely fashion.

**Cause:**

Clerical oversight during the month in question

**Effect:**

Inadvertent noncompliance with a compliance requirement to which the City is subject.

**Recommendation:**

The City should remit the December 2016 fines and fees due to the State as soon as is practicable and implement procedures to reduce the risk of inadvertent noncompliance prospectively

**Management's Response:**

The City Clerk will remit the fines and fees due to the State.

2017-004

**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.



CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the basic financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of New Albany, Mississippi, as of and for the year ended September 30, 2017 and have issued our report thereon dated March 26, 2018. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of those procedures and our audit of the general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations. The prior year findings appear to have been corrected.

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  
March 26, 2018

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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 26, 2018.

**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 deficiencies described in finding reference numbers 2017-001 through 2017-002 in the accompanying schedule of findings and responses to be material weaknesses.

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 2017-003 through 2017-004 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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  
March 26, 2018

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