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FINANCIAL REPORT

**CITY OF NEW ALBANY,
MISSISSIPPI**

September 30, 2018

CITY OF NEW ALBANY, MISSISSIPPI

Financial Statements

For the Year Ended September 30, 2018

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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, 2018, 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 opinions.

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, 2018, 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.

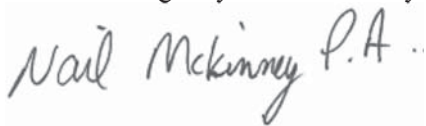
Other Information

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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the schedule of surety bonds for municipal officials are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2019, 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 solely 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.



Tupelo, Mississippi
February 7, 2019

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, 2018. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which begin on page 16.

FINANCIAL HIGHLIGHTS

- The assets of the City of New Albany, Mississippi exceeded its liabilities at September 30, 2018 by \$40,503,312 (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 \$485,102 is restricted for specific purposes. Unrestricted net position decreased by \$517,196, restricted net position increased by \$8,802, and invested in capital assets increased by \$1,133,777.
- As of the close of the current fiscal year, the City of New Albany's proprietary funds reported combined ending net position of \$30,456,063. 89.6% of this total amount or \$27,285,400 is invested in capital assets, 8.8% or \$2,686,095 is unrestricted, and the remainder of 1.6% or \$484,468 is restricted for specific purposes.
- As of the close of the current fiscal year, the City of New Albany's governmental funds reported combined ending fund balances of \$5,410,455. The unassigned part of the fund balance, which is available for use within the City's policies, is \$1,836,856, the assigned part, which is intended for use for specific purposes, is \$2,917,311, the committed part, which has constraints imposed by Board action, is \$500,000 and the restricted part, which has outside constraints, is \$156,288.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$1,836,856.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to the financial statements. The Statement of Net Position and the Statement of Activities (on pages 16-17) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 18. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 8. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" 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 11. The fund financial statements begin on page 18 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the board established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's three kinds of funds—government, proprietary, and fiduciary—use different accounting approaches.

- * Governmental funds—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- * Proprietary funds—When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, 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 26-46 of this report.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net position and net position by category may serve over time as a useful indicator of government's financial position. In the case of the City of New Albany, assets exceeded liabilities by \$40,503,312 as of September 30, 2018.

The largest portion of the City's net position (99.6%) 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and Other Assets	\$ 7,162,701	\$ 6,966,399	\$20,664,292	\$19,580,560	\$ 27,826,993	\$26,546,959
Capital Assets	14,208,904	13,511,108	34,875,672	34,805,179	49,084,576	48,316,287
Total Assets	\$ 21,371,605	\$ 20,477,507	\$55,539,964	\$54,385,739	\$ 76,911,569	\$74,863,246
Deferred Outflows of Resources	\$ 818,293	\$ 1,446,849	\$ 1,322,595	\$ 1,781,011	\$ 2,140,888	\$ 3,227,860
Long-term Liabilities	\$ 10,651,080	\$ 10,797,979	\$16,469,046	\$17,060,434	\$ 27,120,126	\$27,858,413
Other Liabilities	859,379	727,381	9,698,890	8,870,484	10,558,269	9,597,865
Total Liabilities	\$ 11,510,459	\$ 11,525,360	\$26,167,936	\$25,930,918	\$ 37,678,395	\$37,456,278
Deferred Inflows of Resources	\$ 632,190	\$ 640,622	\$ 238,560	\$ 116,277	\$ 870,750	\$ 756,899
Net Position						
Invested in capital assets, net of related debt	\$ 13,052,504	\$ 12,542,110	\$27,285,400	\$26,662,017	\$ 40,337,904	\$39,204,127
Restricted	534	533	484,568	475,767	485,102	476,300
Unrestricted	(3,005,789)	(2,784,269)	2,686,095	2,981,771	(319,694)	197,502
Total Net Position	\$ 10,047,249	\$ 9,758,374	\$30,456,063	\$30,119,555	\$ 40,503,312	\$39,877,929

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 (\$319,694) may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF NEW ALBANY, MISSISSIPPI

As of September 30, 2018, the City is able to report positive balances 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 total and governmental activity net position. Only the governmental activity net position was negative in the prior fiscal year.

Analysis of the City's Operations – Overall the City had a increase in net position of \$625,383.

Governmental Activities: Governmental activities increased the net position by \$288,875 or 46.2% of the total gain in net position. Invested in capital assets, net of related debt increased by \$510,394 primarily due to improvements and decreases in related debt. Unrestricted net position decreased by \$221,520 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 \$503,320. General revenues had a net increase of 37.5%, primarily due to an increases in sales tax collections and investment earnings. Program revenues had a 137.2% net increase, which was primarily due to increased capital grants and contributions received from CDBG for land and preparation work for S&A Industries site.

Total expenses for governmental activities decreased \$25,647 or 0.3%. This decrease was related to decreases in Public Safety.

- Public Safety expenses decreased \$74,077 or 1.9%. Decreased costs in Public Safety are due primarily to fire department salaries.

Business-type Activities: Net Position from business-type activities increased \$336,508 or 1.1% from \$30,119,555 to \$30,456,063 accounting for 53.8% of the total increase in net position. Invested in capital assets, net of related debt increased by \$623,383 primarily due to construction in progress and distribution plant projects. Unrestricted net position decreased by \$295,676 primarily due to increases in capital assets and decreases in debt related to capital assets.

Total revenues for business-type activities increased \$1,392,813 or 3.7%. This increase was primarily due to increase of \$894,979 in the Gas Department charges for services and increase of \$1,261,961 in the Electric Department charges for services.

Total expenses for the business-type activities increased \$867,455 or 2.3%. This increase was primarily due to a increase of \$711,448 in the Electric Department and an increase of \$230,067 in the Gas Department.

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

CITY OF NEW ALBANY, MISSISSIPPI

The following table provides a summary of the City's Operations for the year-end September 30, 2018 with comparative totals for year ended September 30, 2017

CITY OF NEW ALBANY'S CHANGES IN NET POSITION

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 683,661	\$ 722,672	\$ 39,867,315	\$ 38,673,481	\$ 40,550,976	\$ 39,396,153
Operating grants and contributions	761,875	700,225	14,486	14,283	776,361	714,508
Capital grants and contributions	1,109,712	474,638	-	-	1,109,712	474,638
General Revenues:						
Property Taxes	1,612,154	1,590,988	61,143	60,237	1,673,297	1,651,225
Sales Tax	3,423,636	3,309,356	-	-	3,423,636	3,309,356
Special City Sales Tax	797,090	835,042	-	-	797,090	835,042
Franchise Taxes	50,603	51,097	-	-	50,603	51,097
Investment Earnings	30,841	18,398	27,386	22,634	58,227	41,032
Special Item-Gain(Loss) on Sale/Disposal of assets	(39,334)	31,384	-	-	(39,334)	31,384
Transfers	463,228	656,346	(463,228)	(656,346)	-	-
Total Revenues	<u>\$ 8,893,466</u>	<u>\$ 8,390,146</u>	<u>\$ 39,507,102</u>	<u>\$ 38,114,289</u>	<u>\$ 48,400,568</u>	<u>\$ 46,504,435</u>
Expenses:						
General Government	\$ 2,316,804	\$ 2,326,662	\$ -	\$ -	\$ 2,316,804	\$ 2,326,662
Depreciation expense not included in other functions	157,357	107,151	-	-	157,357	107,151
Public Safety	3,855,041	3,929,118	-	-	3,855,041	3,929,118
Public Works	1,030,390	1,034,244	-	-	1,030,390	1,034,244
Culture and Recreation	1,206,331	1,192,902	-	-	1,206,331	1,192,902
Interest on long-term debt	38,668	40,161	-	-	38,668	40,161
Water	-	-	1,492,604	1,438,571	1,492,604	1,438,571
Sewer	-	-	1,213,071	1,251,949	1,213,071	1,251,949
Gas	-	-	3,838,214	3,608,147	3,838,214	3,608,147
Electric	-	-	31,802,923	31,091,475	31,802,923	31,091,475
Waste Disposal	-	-	771,288	870,245	771,288	870,245
Airport	-	-	52,494	42,752	52,494	42,752
Total expenses	<u>\$ 8,604,591</u>	<u>\$ 8,630,238</u>	<u>\$ 39,170,594</u>	<u>\$ 38,303,139</u>	<u>\$ 47,775,185</u>	<u>\$ 46,933,377</u>
Increase (Decrease) in net net assets before transfers	\$ 288,875	\$ (240,092)	\$ 336,508	\$ (188,850)	\$ 625,383	\$ (428,942)
Transfers					-	-
Increase in net assets	\$ 288,875	\$ (240,092)	\$ 336,508	\$ (188,850)	\$ 625,383	\$ (428,942)
Net position-October 1	9,758,374	9,998,466	30,119,555	30,308,405	39,877,929	40,306,871
Adjustments	-	-	-	-	-	-
Net Position-September 30	<u>\$ 10,047,249</u>	<u>\$ 9,758,374</u>	<u>\$ 30,456,063</u>	<u>\$ 30,119,555</u>	<u>\$ 40,503,312</u>	<u>\$ 39,877,929</u>

CITY OF NEW ALBANY, MISSISSIPPI

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

At the end of the current fiscal year, the City of New Albany's governmental funds reported combined ending fund balances of \$5,410,455. Approximately 34.0% of this total amount (\$1,836,856) constitutes unassigned fund balance. The remainder of the fund balance is restricted (\$156,288), committed (\$500,000) or assigned (\$2,917,311).

General Fund Budgetary Highlights – In the general fund, the City budgeted for a decrease in the fund balance on a budget basis of \$303,552. Due to actual expenses being less than budgeted, the actual fund balance increased for fiscal year 2018 by \$232,961.

The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in a decrease in revenues of \$91,660 and an increase in expenditures of \$25,784.

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 - (\$85,107), Sewer System - (\$848,541), Gas System - \$1,023,595, Electric Department - \$2,272,784, Waste Disposal - \$294,716, and NA/UC Airport – \$28,648. The total of these unrestricted net assets is \$2,686,095. Changes in net position for enterprise funds in 2018 were as follows: Water - (\$72,503), Sewer – \$97,352, Gas System – \$177,014, Electric Department - \$28,200, Waste Disposal – \$111,457, and NA/UC Airport – (\$5,012). The total change in unrestricted net assets was \$336,508.

CAPITAL ASSETS

The City of New Albany's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to \$49,084,576 (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 9.2% (6.5% increase in governmental activities and 2.7% increase in business-type activities).

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

- S&A Industries land and site preparation
- Widening Coulter Drive
- Airport land purchases and obstruction removal

CITY OF NEW ALBANY, MISSISSIPPI

GOVERNMENTAL FUND ACTIVITIES

Asset Classification	Balance 10/1/2017	Additions	Deletions	Balance 9/30/2018
Capital Asset Values				
Land	\$ 1,315,546	\$ 1,179,042		\$ 2,494,588
Construction in Progress	217,383	1,366,984	(1,179,042)	405,325
Timber Rights	10,000			10,000
Buildings	3,394,151			3,394,151
Improvements other than buildings	8,480,449			8,480,449
Machinery and Equipment	4,387,509	182,092	(173,046)	4,396,555
Road Network	2,708,666			2,708,666
Bridge Network	746,935			746,935
				-
Total at Historical Cost	\$ 21,260,639	\$ 2,728,118	\$ (1,352,088)	\$ 22,636,669
Less: Capital Asset Accumulated Depreciation				
Buildings	(1,169,987)	(94,227)		(1,264,214)
Improvements other than buildings	(2,082,847)	(332,330)		(2,415,177)
Machinery and Equipment	(3,003,291)	(264,174)	123,516	(3,143,949)
Road Network	(1,283,978)	(94,802)		(1,378,780)
Bridge Network	(209,428)	(16,217)		(225,645)
				-
Total Accumulated Depreciation	\$ (7,749,531)	\$ (801,750)	\$ 123,516	\$ (8,427,765)
Governmental Activities Capital Assets, Net	\$ 13,511,108	\$ 1,926,368	\$ (1,228,572)	\$ 14,208,904

BUSINESS-TYPE ACTIVITIES

Asset Classification	Balance 10/1/2017	Additions	Deletions	Balance 9/30/2018
Capital Asset Values				
Land	\$ 190,226	\$ 195,092		\$ 385,318
Construction in Progress	200,307	713,048		913,355
Distribution Plant	64,409,195	979,014	(158,188)	65,230,021
Machinery and Equipment	6,606,307	249,583	(50,859)	6,805,031
				-
Total at Historical Cost	\$ 71,406,035	\$ 2,136,737	\$ (209,047)	\$ 73,333,725
Less: Capital Asset Accumulated Depreciation				
Distribution Plant	(31,659,992)	(1,762,285)	253,357	(33,168,920)
Machinery and Equipment	(4,940,864)	(382,320)	34,051	(5,289,133)
				-
Total Accumulated Depreciation	\$ (36,600,856)	\$ (2,144,605)	\$ 287,408	\$ (38,458,053)
Business-Type Activities Capital Assets, Net	\$ 34,805,179	\$ (7,868)	\$ 78,361	\$ 34,875,672

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 \$10,033,361. Of this amount, \$1,276,564 represents notes payable by governmental activities, \$273,525 compensated absences and \$893,000 bonds payable by governmental activities, \$20,329 represents refunding bond premium, \$4,803,616 represents bonds paid by water revenues, \$2,354,158 represents bonds paid by electric revenues, and \$412,169 represents notes payable by proprietary funds.

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

	Governmental Activities		Business-type Activities		Totals	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Bonds Payable	\$ 893,000	\$ 969,000	\$ 7,157,774	\$ 7,683,922	\$ 8,050,774	\$ 8,652,922
Notes Payable	1,276,564	1,101,815	412,169	437,755	1,688,733	1,539,570
Compensated Absences	197,298	153,204	76,227	79,139	273,525	232,343
Refunding Bond Premiums			20,329	21,485	20,329	21,485
Totals	\$2,366,862	\$2,224,019	\$ 7,666,499	\$ 8,222,301	\$10,033,361	\$10,446,320

During the fiscal year, the City's total debt decreased by \$412,959 or 4.1%. Compensated absences were increased in governmental. A new governmental note to Three Rivers Planning and Development District in the amount of \$263,400 was incurred for a construction loan related to land and preparation of S&A Industries site. Debt in the amount of \$720,453 matured or refinanced during the year.

Additional information on the City of New Albany's long-term debt can be found in note 7 on pages 37-38 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 2019 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 2019 year.

The general fund budget for the year 2019 shows a small 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 2019 general fund budget shows an increase in the expenditures. The increase in expenditures is due mainly to budgeted increases in capital outlay. If these budgeted estimates are realized the City's budgeted general fund balance is expected to remain the same by the close of 2019.

The City of New Albany for the 2019 year is lining up several things for future growth in the City. Tanglefoot Trail Welcome Center project is scheduled to begin soon. The airport terminal building project funding is in place and ready to begin. At this time these are the only major projects that the City has planned.

CITY OF NEW ALBANY, MISSISSIPPI

Electric, Gas, Water and Sewer Departments have budget increases in metered sales. The Gas Department has budgeted grant funds and bond proceeds. These revenues offset increased budgeted expenses. 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 2019.

For 2019, the Electric Department plans to complete relocation of its primary substation, begin automated meter reading, and upgrade the distribution circuit to improve system reliability. The Gas Department will continue the Marshall County system expansion, that includes 20 miles of distribution main and a new gate station that will potentially add 200 customers. The Water Department has received grant money for a system extension out Highway 348. The Sewer Department has been approved for loan and grant funds to construct a new wastewater treatment plant and make improvements to the wastewater collection 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.

A handwritten signature in black ink, appearing to read 'Frankie Roberts', with a stylized, cursive script.

Frankie Roberts
City Clerk

Basic Financial Statements

CITY OF NEW ALBANY, MISSISSIPPI

Statement of Net Position

September 30, 2018

Assets	Governmental Activities	Business-type Activities	Total
Cash	\$ 3,090,448	\$ 11,970,131	\$ 15,060,579
Temporary cash investments	2,229,970	1,945,013	4,174,983
Accounts and interest receivable	909,236	5,610,741	6,519,977
Prepaid expenses	2,316	36,737	39,053
Materials and supplies	-	951,781	951,781
Capital assets:			
Land, improvements and construction in progress	2,909,913	1,298,673	4,208,586
Other capital assets, net of depreciation	11,298,991	33,576,999	44,875,990
Lease receivable	219,931	-	219,931
Other assets	-	121,563	121,563
Notes receivable	710,800	28,326	739,126
Total Assets	<u>21,371,605</u>	<u>55,539,964</u>	<u>76,911,569</u>
Deferred Outflows of Resources			
Pension plan	818,293	1,309,024	2,127,317
TVA Heat Pump Program	-	13,571	13,571
	<u>818,293</u>	<u>1,322,595</u>	<u>2,140,888</u>
Liabilities			
Accounts payable and accrued liabilities	427,160	7,077,888	7,505,048
Customer deposits	-	2,052,431	2,052,431
Noncurrent liabilities:			
Due within one year	432,219	568,571	1,000,790
Due in more than one year	1,934,643	7,097,928	9,032,571
Pension liability	8,716,437	9,371,118	18,087,555
Total Liabilities	<u>11,510,459</u>	<u>26,167,936</u>	<u>37,678,395</u>
Deferred Inflows of Resources			
Advance payments received	394,650	13,574	408,224
Pension	214,828	224,986	439,814
Lease interest	22,712	-	22,712
	<u>632,190</u>	<u>238,560</u>	<u>870,750</u>
Net Position			
Invested in capital assets, net of related debt	13,052,504	27,285,400	40,337,904
Restricted for:			
Debt service	534	484,568	485,102
Unrestricted	(3,005,789)	2,686,095	(319,694)
Total Net Position	<u>\$ 10,047,249</u>	<u>\$ 30,456,063</u>	<u>\$ 40,503,312</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, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	Total
			Grants and Contributions	Grants and Contributions			
Governmental Activities:							
General government	\$ 2,316,804	\$ 170,397	\$ 147,244	\$ 1,109,712	\$ (889,451)	\$ -	\$ (889,451)
Depreciation expense	157,357	-	-	-	(157,357)	-	(157,357)
Public safety	3,855,041	284,928	277,329	-	(3,292,784)	-	(3,292,784)
Public works	1,030,390	-	312,794	-	(717,596)	-	(717,596)
Culture and recreation	1,206,331	228,336	24,508	-	(953,487)	-	(953,487)
Interest	38,668	-	-	-	(38,668)	-	(38,668)
Total	8,604,591	683,661	761,875	1,109,712	(6,049,343)	-	(6,049,343)
Business-type Activities:							
Water System	1,492,604	1,443,006	-	-	-	(49,598)	(49,598)
Sewer System	1,213,071	1,114,634	-	-	-	(98,437)	(98,437)
Gas System	3,838,214	4,651,543	-	-	-	813,329	813,329
Electric	31,802,923	31,818,986	-	-	-	16,063	16,063
Waste Disposal	771,288	813,084	3,818	-	-	45,614	45,614
Airport	52,494	26,062	10,668	-	-	(15,764)	(15,764)
Total	39,170,594	39,867,315	14,486	-	-	711,207	711,207
Total Primary Government	\$ 47,775,185	\$ 40,550,976	\$ 776,361	\$ 1,109,712	(6,049,343)	711,207	(5,338,136)
General Revenues:							
Taxes:							
General purpose levies					1,612,154	61,143	1,673,297
Sales taxes					3,423,636	-	3,423,636
Special city sales taxes					797,090	-	797,090
Franchise taxes					50,603	-	50,603
Investment earnings					30,841	27,386	58,227
Gain (loss) on asset disposals					(39,334)	-	(39,334)
Transfers					463,228	(463,228)	-
Total					6,338,218	(374,699)	5,963,519
Change in Net Position					288,875	336,508	625,383
Net Position, beginning					9,758,374	30,119,555	39,877,929
Net Position, ending					\$10,047,249	\$30,456,063	\$40,503,312

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

CITY OF NEW ALBANY, MISSISSIPPI

Balance Sheet - Governmental Funds

September 30, 2018

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Tourism Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 1,693,359	\$ 409,753	\$ 987,336	\$ 3,090,448
Investments	2,229,970	-	-	2,229,970
Prepaid expenses	2,316	-	-	2,316
Due from other funds	-	116,404	-	116,404
Accounts receivable	613,336	97,782	210,065	921,183
Lease receivable	-	-	219,931	219,931
Total Assets	<u>\$ 4,538,981</u>	<u>\$ 623,939</u>	<u>\$ 1,417,332</u>	<u>\$ 6,580,252</u>
LIABILITIES				
Liabilities:				
Accounts payable and accrued expenses	\$ 299,971	\$ 36,631	\$ 102,505	\$ 439,107
Due to other funds	<u>116,404</u>	<u>-</u>	<u>-</u>	<u>116,404</u>
Total Liabilities	<u>416,375</u>	<u>36,631</u>	<u>102,505</u>	<u>555,511</u>
DEFERRED INFLOWS OF RESOURCES				
Advance payments received	82,150	312,500	-	394,650
Lease principal	-	-	196,923	196,923
Lease interest	<u>-</u>	<u>-</u>	<u>22,713</u>	<u>22,713</u>
	<u>82,150</u>	<u>312,500</u>	<u>219,636</u>	<u>614,286</u>
FUND BALANCES				
Restricted	-	-	156,288	156,288
Committed	500,000	-	-	500,000
Assigned	1,703,600	274,808	938,903	2,917,311
Unassigned	<u>1,836,856</u>	<u>-</u>	<u>-</u>	<u>1,836,856</u>
Total Fund Balances	<u>4,040,456</u>	<u>274,808</u>	<u>1,095,191</u>	<u>5,410,455</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,538,981</u>	<u>\$ 623,939</u>	<u>\$ 1,417,332</u>	<u>\$ 6,580,252</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, 2018

	<u>Amount</u>
Total Fund Balance - Total Governmental Funds	\$ 5,410,455
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 \$ 8,427,765	14,208,904
2. Other long-term assets are not available to pay for current period expenditures and are, therefore, not recognized in the governmental funds.	907,724
3. Long-term liabilities, including bonds payable, are not due and payable in the current period and are, therefore, not reported in governmental funds.	(2,169,564)
4. Accrued compensated absences are not due and payable in the current year and are, therefore, not reported in the governmental funds.	(197,298)
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>(8,112,972)</u>
Total Net Position - Governmental Activities	<u>\$ 10,047,249</u>

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

CITY OF NEW ALBANY, MISSISSIPPI

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

For the Year Ended September 30, 2018

	Major Funds			
	General Fund	Tourism Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 1,468,162	\$ -	\$ 84,335	\$ 1,552,497
Licenses and permits	137,786	-	-	137,786
Intergovernmental revenue	4,192,301	797,090	864,229	5,853,620
Charges for services	222,794	-	1,326	224,120
Fines and forfeitures	273,017	-	5,635	278,652
Investment earnings	16,111	2,312	12,418	30,841
Miscellaneous	75,257	41,471	274,917	391,645
Total Revenues	<u>6,385,428</u>	<u>840,873</u>	<u>1,242,860</u>	<u>8,469,161</u>
Expenditures:				
General government	1,514,772	587,857	10,305	2,112,934
Public safety	3,115,808	-	56,377	3,172,185
Public works	713,287	-	-	713,287
Culture and recreation	815,997	-	16,972	832,969
Debt service:				
Principal	-	76,000	26,472	102,472
Interest and other charges	-	29,070	9,598	38,668
Capital outlay	611,309	19,863	1,170,319	1,801,491
Total Expenditures	<u>6,771,173</u>	<u>712,790</u>	<u>1,290,043</u>	<u>8,774,006</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(385,745)</u>	<u>128,083</u>	<u>(47,183)</u>	<u>(304,845)</u>
Other Financing Sources (Uses):				
Transfers in	789,000	-	69,080	858,080
Transfers out	(329,852)	(65,000)	-	(394,852)
Lease principal payments	-	-	30,554	30,554
Loan proceeds	68,400	-	195,000	263,400
Total Other Financing Sources (Uses)	<u>527,548</u>	<u>(65,000)</u>	<u>294,634</u>	<u>757,182</u>
Special Item:				
Proceeds from the disposal of capital assets	4,570	-	-	4,570
Net Change in Fund Balances	<u>146,373</u>	<u>63,083</u>	<u>247,451</u>	<u>456,907</u>
Fund balances - beginning	<u>3,894,083</u>	<u>211,725</u>	<u>847,740</u>	<u>4,953,548</u>
Fund balances - ending	<u>\$ 4,040,456</u>	<u>\$ 274,808</u>	<u>\$ 1,095,191</u>	<u>\$ 5,410,455</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, 2018

	<u>Amount</u>
Net Change in Fund Balances - Total Governmental Funds	\$ 456,907
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.	741,288
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.	(43,493)
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.	(44,094)
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.	(30,554)
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.	(630,251)
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>(160,928)</u>
Change in Net Position of Governmental Activities	<u>\$ 288,875</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, 2018

Major Funds

	Water System	Sewer System	Gas System	Electric Department	Other Enterprise Funds	Total Enterprise Funds
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 137,720	\$ 504,012	\$ 1,884,185	\$ 8,519,714	\$ 924,500	\$ 11,970,131
Investments	494,064	-	865,566	585,383	-	1,945,013
Materials and supplies	-	-	470,293	481,488	-	951,781
Accounts receivable, net of allowance for doubtful accounts of \$ 150,924	481,175	176,412	192,443	4,685,102	75,609	5,610,741
Other receivables	-	-	85	121,478	-	121,563
Prepayments	-	-	11,833	24,904	-	36,737
Total current assets	<u>1,112,959</u>	<u>680,424</u>	<u>3,424,405</u>	<u>14,418,069</u>	<u>1,000,109</u>	<u>20,635,966</u>
Noncurrent Assets						
Notes receivable	-	-	-	28,326	-	28,326
Capital assets:						
Land	56,140	197,465	104,395	27,318	-	385,318
Distribution plant	10,620,521	11,038,989	9,290,201	34,280,310	-	65,230,021
Machinery and equipment	327,711	10,821	1,460,535	3,945,666	1,060,298	6,805,031
Construction in progress	-	192,653	453,000	267,702	-	913,355
Less: accumulated depreciation	<u>(6,109,942)</u>	<u>(4,064,751)</u>	<u>(8,178,412)</u>	<u>(19,127,497)</u>	<u>(977,451)</u>	<u>(38,458,053)</u>
Total non-current assets	<u>4,894,430</u>	<u>7,375,177</u>	<u>3,129,719</u>	<u>19,421,825</u>	<u>82,847</u>	<u>34,903,998</u>
Total assets	<u>6,007,389</u>	<u>8,055,601</u>	<u>6,554,124</u>	<u>33,839,894</u>	<u>1,082,956</u>	<u>55,539,964</u>
DEFERRED OUTFLOWS OF RESOURCES						
Pension plan	129,100	8,827	41,818	1,088,071	41,208	1,309,024
TVA Heat Pump Program	-	-	-	13,571	-	13,571
	<u>129,100</u>	<u>8,827</u>	<u>41,818</u>	<u>1,101,642</u>	<u>41,208</u>	<u>1,322,595</u>
LIABILITIES						
Current liabilities						
Accounts payable and accrued expenses	234,499	612,464	600,122	5,557,827	72,976	7,077,888
Customer deposits	126,967	-	522,022	1,403,442	-	2,052,431
Current maturities of long-term debt	<u>34,202</u>	<u>246,037</u>	<u>-</u>	<u>288,332</u>	<u>-</u>	<u>568,571</u>
Total current liabilities	<u>395,668</u>	<u>858,501</u>	<u>1,122,144</u>	<u>7,249,601</u>	<u>72,976</u>	<u>9,698,890</u>
Non-current liabilities						
Accrual for compensated absences	-	-	9,569	66,658	-	76,227
Notes payable	-	406,461	-	-	-	406,461
Bonds payable	1,574,414	2,975,000	-	2,065,826	-	6,615,240
Pension liability	<u>902,488</u>	<u>459,267</u>	<u>1,279,383</u>	<u>6,100,517</u>	<u>629,463</u>	<u>9,371,118</u>
Total non-current liabilities	<u>2,476,902</u>	<u>3,840,728</u>	<u>1,288,952</u>	<u>8,233,001</u>	<u>629,463</u>	<u>16,469,046</u>
Total liabilities	<u>2,872,570</u>	<u>4,699,229</u>	<u>2,411,096</u>	<u>15,482,602</u>	<u>702,439</u>	<u>26,167,936</u>
DEFERRED INFLOWS OF RESOURCES						
Pension plan	22,242	22,463	31,532	133,235	15,514	224,986
TVA Heat Pump Program	-	-	-	13,574	-	13,574
	<u>22,242</u>	<u>22,463</u>	<u>31,532</u>	<u>146,809</u>	<u>15,514</u>	<u>238,560</u>
NET POSITION						
Invested in capital assets, net of related debt	3,285,814	3,747,679	3,129,719	17,039,341	82,847	27,285,400
Temporarily restricted	40,970	443,598	-	-	-	484,568
Unrestricted	<u>(85,107)</u>	<u>(848,541)</u>	<u>1,023,595</u>	<u>2,272,784</u>	<u>323,364</u>	<u>2,686,095</u>
Total net position	<u>\$ 3,241,677</u>	<u>\$ 3,342,736</u>	<u>\$ 4,153,314</u>	<u>\$ 19,312,125</u>	<u>\$ 406,211</u>	<u>\$ 30,456,063</u>

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

CITY OF NEW ALBANY, MISSISSIPPI

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

For the Year Ended September 30, 2018

	Major Funds				Other Enterprise Funds	Total Enterprise Funds
	Water System	Sewer System	Gas System	Electric Department		
Operating revenues:						
Charges for services	\$ 1,411,777	\$ 1,101,396	\$ 4,603,485	\$ 30,871,669	\$ 838,846	\$ 38,827,173
Other	31,229	13,238	48,058	947,317	300	1,040,142
Total operating revenues	<u>1,443,006</u>	<u>1,114,634</u>	<u>4,651,543</u>	<u>31,818,986</u>	<u>839,146</u>	<u>39,867,315</u>
Operating expenses:						
Natural gas purchased	-	-	2,081,878	-	-	2,081,878
Operation and maintenance	1,241,518	883,651	1,458,678	3,685,578	795,720	8,065,145
Purchased power	-	-	-	25,623,493	-	25,623,493
Depreciation and amortization	204,245	238,391	288,256	1,132,714	28,062	1,891,668
Tax equivalents	-	-	-	1,240,062	-	1,240,062
Total operating expenses	<u>1,445,763</u>	<u>1,122,042</u>	<u>3,828,812</u>	<u>31,681,847</u>	<u>823,782</u>	<u>38,902,246</u>
Operating income (loss)	<u>(2,757)</u>	<u>(7,408)</u>	<u>822,731</u>	<u>137,139</u>	<u>15,364</u>	<u>965,069</u>
Non-operating revenues (expenses):						
Interest income	1,095	697	8,685	12,137	4,772	27,386
Interest expense	(46,841)	(91,029)	(9,402)	(114,955)	-	(262,227)
Non-operating expenses	-	-	-	(6,121)	-	(6,121)
Property taxes	-	-	-	-	61,143	61,143
Intergovernmental revenue	-	-	-	-	14,486	14,486
Total nonoperating revenues (expenses)	<u>(45,746)</u>	<u>(90,332)</u>	<u>(717)</u>	<u>(108,939)</u>	<u>80,401</u>	<u>(165,333)</u>
Income (loss) before operating transfers	(48,503)	(97,740)	822,014	28,200	95,765	799,736
Transfers in (out)	<u>(24,000)</u>	<u>195,092</u>	<u>(645,000)</u>	<u>-</u>	<u>10,680</u>	<u>(463,228)</u>
Change in net position	<u>(72,503)</u>	<u>97,352</u>	<u>177,014</u>	<u>28,200</u>	<u>106,445</u>	<u>336,508</u>
Net position, beginning	<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>
Net position, ending	<u>\$ 3,241,677</u>	<u>\$ 3,342,736</u>	<u>\$ 4,153,314</u>	<u>\$ 19,312,125</u>	<u>\$ 406,211</u>	<u>\$ 30,456,063</u>

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

CITY OF NEW ALBANY, MISSISSIPPI

Statement of Cash Flows - Proprietary Funds

For the Year Ended September 30, 2018

	Major Funds				Other Enterprise Funds	Total Enterprise Funds
	Water System	Sewer System	Gas System	Electric Department		
Cash flows from operating activities:						
Receipts from customers	\$ 1,458,573	\$ 1,122,015	\$ 4,663,605	\$ 31,521,540	\$ 819,583	\$ 39,585,316
Payments to suppliers	(727,186)	(360,453)	(2,374,397)	(25,511,504)	(438,339)	(29,411,879)
Payments to employees	(531,370)	(314,569)	(879,108)	(2,897,551)	(344,505)	(4,967,103)
Net cash provided (used) by operating activities	200,017	446,993	1,410,100	3,112,485	36,739	5,206,334
Cash flows from non-capital financing activities:						
Transfers from (to) other funds	(24,000)	195,092	(645,000)	(1,109,496)	10,680	(1,572,724)
Net cash provided (used) in non-capital financing activities	(24,000)	195,092	(645,000)	(1,109,496)	10,680	(1,572,724)
Cash flows from capital and related financing activities:						
Taxes and intergovernmental revenues, net	-	-	-	-	75,629	75,629
Payments for acquisition of capital assets	(50,774)	(398,566)	(533,906)	-	-	(983,246)
Principal payments on long-term debt	(33,275)	(241,742)	-	(277,873)	-	(552,890)
Net additions to utility plant	-	-	-	(978,916)	-	(978,916)
Interest paid on long-term debt	(46,840)	(91,029)	(9,402)	(114,955)	-	(262,226)
Net cash provided by (used in) capital and related financing activities	(130,889)	(731,337)	(543,308)	(1,371,744)	75,629	(2,701,649)
Cash flows from investing activities:						
Interest on investments	1,095	697	8,668	12,137	4,772	27,369
Increase in notes receivable	-	-	-	(2,207)	-	(2,207)
Cash received from maturity of certificates of deposit	-	-	-	584,154	-	584,154
Cash paid for investment in certificates of deposit	(1,033)	-	(1,634)	(585,383)	-	(588,050)
Net cash provided (used) by investing activities	62	697	7,034	8,701	4,772	21,266
Net change in cash	45,190	(88,555)	228,826	639,946	127,820	953,227
Cash and cash equivalents at beginning of year	92,530	592,567	1,655,359	7,879,768	796,680	11,016,904
Cash and cash equivalents at end of year	\$ 137,720	\$ 504,012	\$ 1,884,185	\$ 8,519,714	\$ 924,500	\$ 11,970,131
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ (2,757)	\$ (7,408)	\$ 822,731	\$ 137,139	\$ 15,364	\$ 965,069
Nonoperating expenses	-	-	-	(6,121)	-	(6,121)
Transfers to City General Fund				1,109,496		1,109,496
Depreciation and amortization	204,245	238,391	288,256	1,132,714	28,062	1,891,668
Change in:						
Accounts receivable	14,728	7,381	2,144	(183,279)	(19,563)	(178,589)
Deferred outflows		-	-		78,261	78,261
Gas held in storage	-	-	27,181	-	-	27,181
Materials and supplies	-	-	(3,238)	31,192	-	27,954
Prepayments	-	-	-	(931)	-	(931)
Accounts payable and accrued expenses	(54,533)	164,320	216,484	426,838	(9,597)	743,512
Pension liability	87,376	(75,524)	8,455	16,732	(55,788)	(18,749)
Deferred inflows/outflows	(49,881)	119,833	41,346	391,071	-	502,369
Customer deposits	839	-	6,741	57,634	-	65,214
Net cash provided (used) by operating activities	\$ 200,017	\$ 446,993	\$ 1,410,100	\$ 3,112,485	\$ 36,739	\$ 5,206,334

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

CITY OF NEW ALBANY, MISSISSIPPI

Statement of Fiduciary Net Position

September 30, 2018

	Agency Funds
Assets	
Cash	\$ 8,626
Accounts and interest receivable	-
Investments	<u>15,212</u>
Total Assets	<u>\$ 23,838</u>
Liabilities	
Accounts payable and accrued expenses	<u>23,838</u>
Total Liabilities	<u><u>\$ 23,838</u></u>

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

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Financial Statement Amounts (continued)

5. Capital assets:

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

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

6. Deferred Outflows of Resources and Deferred Inflows of Resources

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

7. Pensions

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

8. Compensated Absences:

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

9. Revenues:

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

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2018

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. 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, 2018, 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, 2018

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 by the City's depository to the Mississippi State Treasurer as described below.

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, 2018 follows:

	<i>Accounts Receivable</i>	<i>Due from Other Governments</i>	<i>Other</i>	<i>Total Receivables</i>
Governmental activities				
General	\$ -	\$ 467,968	\$ 581	\$ 468,549
Tourism	-	214,186	-	214,186
Other governmental	286	225,163	1,052	226,501
Total governmental activities	<u>\$ 286</u>	<u>\$ 907,317</u>	<u>\$ 1,633</u>	<u>\$ 909,236</u>
Business-type activities				
Electric	\$ 4,054,966	\$ 630,136	\$ -	\$ 4,685,102
Gas	192,443	-	-	192,443
Water	481,175	-	-	481,175
Sewer	176,412	-	-	176,412
Other business-type	75,609	-	-	75,609
Total business-type activities	<u>\$ 4,980,605</u>	<u>\$ 630,136</u>	<u>\$ -</u>	<u>\$ 5,610,741</u>

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2018

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 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 at inception. The effective interest method is used to amortize the interest revenue over the term of the lease. The interest rate implicit in the calculation and used for amortization is 3%.

Future minimum lease receivables are as follows:

		<i><u>Principal</u></i>	<i><u>Interest</u></i>
Years ending September 30:			
	2019	\$ 31,638	\$ 6,322
	2020	32,708	5,252
	2021	33,814	4,146
	2022	46,486	2,886
	2023	12,161	1,800
	2024-2027	<u>40,064</u>	<u>2,654</u>
		<u>\$ 196,871</u>	<u>\$ 23,060</u>

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

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2018

NOTE 5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended September 30, 2018, was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
Governmental Activities:				
Non-depreciable capital assets:				
Land	\$ 1,315,546	\$ 1,179,042	\$ -	\$ 2,494,588
Construction in progress	217,383	1,366,984	1,179,042	405,325
Timber rights	10,000	-	-	10,000
Total non-depreciable capital assets	<u>1,542,929</u>	<u>2,546,026</u>	<u>1,179,042</u>	<u>2,909,913</u>
Depreciable capital assets:				
Buildings	3,394,151	-	-	3,394,151
Improvements other than buildings	8,480,449	-	-	8,480,449
Machinery and equipment	4,387,509	182,092	173,046	4,396,555
Road network	2,708,666	-	-	2,708,666
Bridge network	746,935	-	-	746,935
Total depreciable capital assets	<u>19,717,710</u>	<u>182,092</u>	<u>173,046</u>	<u>19,726,756</u>
Less accumulated depreciation for:				
Buildings	1,169,987	94,227	-	1,264,214
Improvements other than buildings	2,082,847	332,330	-	2,415,177
Machinery and equipment	3,003,291	264,174	123,516	3,143,949
Road network	1,283,978	94,802	-	1,378,780
Bridge network	209,428	16,217	-	225,645
Total accumulated depreciation	<u>7,749,531</u>	<u>801,750</u>	<u>123,516</u>	<u>8,427,765</u>
Net depreciable capital assets	<u>11,968,179</u>	<u>(619,658)</u>	<u>49,530</u>	<u>11,298,991</u>
Governmental activities capital assets	<u>\$ 13,511,108</u>	<u>\$ 1,926,368</u>	<u>\$ 1,228,572</u>	<u>\$ 14,208,904</u>

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

General government	\$ 157,356
Public safety	160,531
Public works, including road and bridge networks	263,231
Culture and recreation	<u>220,632</u>
	<u>\$ 801,750</u>

At September 30, 2018, the City had commitments totaling \$ 604,315 under construction contracts for various improvements.

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2018

NOTE 5. CAPITAL ASSETS (continued)

Capital asset activity for business-type activities for the year ended September 30, 2018, was as follows:

	<i><u>Beginning Balance</u></i>	<i><u>Additions</u></i>	<i><u>Retirements</u></i>	<i><u>Ending Balance</u></i>
Business-Type Activities:				
Non-depreciable capital assets:				
Land	\$ 190,226	\$ 195,092	\$ -	\$ 385,318
Construction in progress	200,307	713,048	-	913,355
Total non-depreciable capital assets	<u>390,533</u>	<u>908,140</u>	<u>-</u>	<u>1,298,673</u>
Depreciable capital assets:				
Distribution plant	64,409,195	979,014	158,188	65,230,021
Machinery and equipment	<u>6,606,307</u>	<u>249,583</u>	<u>50,859</u>	<u>6,805,031</u>
Total depreciable capital assets	<u>71,015,502</u>	<u>1,228,597</u>	<u>209,047</u>	<u>72,035,052</u>
Less accumulated depreciation for:				
Distribution plant	31,659,992	1,762,285	253,357	33,168,920
Machinery and equipment	<u>4,940,864</u>	<u>382,320</u>	<u>34,051</u>	<u>5,289,133</u>
Total accumulated depreciation	<u>36,600,856</u>	<u>2,144,605</u>	<u>287,408</u>	<u>38,458,053</u>
Net depreciable capital assets	<u>34,414,646</u>	<u>(916,008)</u>	<u>(78,361)</u>	<u>33,576,999</u>
Business-Type activities capital assets	<u>\$ 34,805,179</u>	<u>\$ (7,868)</u>	<u>\$ (78,361)</u>	<u>\$ 34,875,672</u>

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

Electric	\$ 1,132,714
Gas	288,256
Water	204,245
Sewer	238,391
Other non-major proprietary funds	<u>28,062</u>
	<u>\$ 1,891,668</u>

NOTE 6. PAYABLES

Payables at September 30, 2018, were as follows:

	<i><u>Vendors</u></i>	<i><u>Salaries and Benefits</u></i>	<i><u>Other</u></i>	<i><u>Total</u></i>
Governmental activities:				
General	\$ 219,951	\$ 50,556	\$ (9,908)	\$ 260,599
Tourism	25,437	11,194	-	36,631
Other governmental	<u>129,930</u>	<u>-</u>	<u>-</u>	<u>129,930</u>
Total governmental activities	<u>\$ 375,318</u>	<u>\$ 61,750</u>	<u>\$ (9,908)</u>	<u>\$ 427,160</u>

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2018

NOTE 6. PAYABLES (continued)

Payables at September 30, 2018, were as follows:

	<u><i>Vendors</i></u>	<u><i>Salaries and Benefits</i></u>	<u><i>Other</i></u>	<u><i>Total</i></u>
Business-type activities				
Electric	\$ 4,982,122	\$ 92,861	\$ 482,844	\$ 5,557,827
Gas	343,231	8,986	247,905	600,122
Water	11,369	5,860	217,270	234,499
Sewer	198,011	2,712	411,741	612,464
Other business-type	69,369	3,107	500	72,976
Total business-type activities	<u>\$ 5,604,102</u>	<u>\$ 113,526</u>	<u>\$ 1,360,260</u>	<u>\$ 7,077,888</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, 2018, the governmental noncurrent liabilities consisted of the following:

	<u><i>Interest Rate</i></u>	<u><i>Maturity Date</i></u>	<u><i>Balance</i></u>
Capital improvement loan	3.000%	7/1/2029	212,669
Capital improvement loan	3.000%	9/1/2026	89,696
Capital improvement loan	2.000%	12/1/2028	710,799
G.O. improvement bond	3.000%	6/1/2028	893,000
Three Rivers Planning and Development	0.000%	none specified	263,400
Accrual for compensated absences			197,298
			<u>\$ 2,366,862</u>

Business-type Activities:

As of September 30, 2018, the noncurrent liabilities payable from proprietary fund resources consisted of the following:

	<u><i>Interest Rate</i></u>	<u><i>Maturity Date</i></u>	<u><i>Balance</i></u>
State of MS Commission on Environmental Quality	1.750%	10/31/2032	412,169
Combined Revenue Bond R-1	2.750%	3/11/2049	1,608,616
Series 2013 Refunding Bond	2.00%-3.25%	5/1/2033	3,195,000
G.O. Taxable Refunding Bond R-1	3.700%	5/16/2025	2,354,158
Refunding bond Premium			20,329
Accrual for compensated absences			76,227
			<u>\$ 7,666,499</u>

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2018

NOTE 7. NONCURRENT LIABILITIES (continued)

The following is a summary of changes in noncurrent liabilities for the year ended September 30, 2018:

	<i><u>Beginning Balance</u></i>	<i><u>Additions</u></i>	<i><u>Reductions</u></i>	<i><u>Ending Balance</u></i>	<i><u>Amount Due Within One Year</u></i>
Governmental activities:					
Notes payable	\$ 1,101,815	\$ 263,400	\$ 88,651	\$ 1,276,564	\$ 354,219
Bonds payable	969,000	-	76,000	893,000	78,000
Compensated absences	153,204	44,094	-	197,298	-
Total governmental fund debt	<u>\$ 2,224,019</u>	<u>\$ 307,494</u>	<u>\$ 164,651</u>	<u>\$ 2,366,862</u>	<u>\$ 432,219</u>
Business-type activities					
Bonds payable	\$ 7,683,922	\$ -	\$ 526,148	\$ 7,157,774	\$ 542,534
Refunding bond premiums	21,485	-	1,156	20,329	-
Notes payable	437,755	-	25,586	412,169	26,037
Compensated absences	79,139	-	2,912	76,227	-
Total enterprise fund debt	<u>\$ 8,222,301</u>	<u>\$ -</u>	<u>\$ 555,802</u>	<u>\$ 7,666,499</u>	<u>\$ 568,571</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, 2018 are as follows:

<i><u>Year Ending September 30,</u></i>	<i><u>Governmental Activities</u></i>			
	<i><u>Bonds</u></i>		<i><u>Notes and Capital Leases</u></i>	
	<i><u>Principal</u></i>	<i><u>Interest</u></i>	<i><u>Principal</u></i>	<i><u>Interest</u></i>
2019	\$ 78,000	\$ 26,790	\$ 354,219	\$ 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	88,000	17,040	99,582	5,256
2024-2028	480,000	44,100	506,569	12,388
2029-2033	-	-	30,854	189
	<u>\$ 893,000</u>	<u>\$ 154,020</u>	<u>\$ 1,276,564</u>	<u>\$ 47,690</u>

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2018

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>
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	607,428	140,292	27,924	5,118
2024-2028	2,287,234	446,342	147,184	18,026
2029-2033	1,012,958	215,601	130,123	4,800
2034-2038	272,990	117,070	-	-
2039-2043	313,180	76,880	-	-
2044-2048	359,287	30,773	-	-
2049-2053	36,977	288	-	-
	<u>\$ 7,157,774</u>	<u>\$ 1,760,990</u>	<u>\$ 412,169</u>	<u>\$ 53,174</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 \$ 484,568, 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. INTERFUND BALANCES

Inter-fund balances at September 30, 2018, consisted of the following:

	<i>Due From General Fund</i>
Due to Tourism Fund	<u>\$ 116,404</u>

NOTE 9. INTER-FUND TRANSFERS

Inter-fund transfers for the year ended September 30, 2018, 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	\$ 120,000	\$ -	\$ -	\$ 24,000	\$ 645,000	\$ 789,000
	Nonmajor governmental	4,080	65,000	-	-	-	69,080
	Major proprietary	195,092	-	-	-	-	195,092
	Nonmajor proprietary	10,680	-	-	-	-	10,680
		\$ 329,852	\$ 65,000	\$ -	\$ 24,000	\$ 645,000	\$ 1,063,852

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2018

NOTE 9. INTER-FUND TRANSFERS (continued)

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

NOTE 10. PROPERTY TAX

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

NOTE 11. RELATED PARTY TRANSACTIONS

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

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

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

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

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

NOTE 12. 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 \$ 85,358 during the year ended June 30, 2018, for the Gas, Water, and Sewer Departments amounted to \$ 9,025 during the year ended September 30, 2018.

NOTE 13. 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.

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2018

NOTE 14. 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 16.

NOTE 15. 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 16. 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, 2018, 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, 2018, the City provided \$ 24,000 in support to the Library.

Union County Development Association is involved in business development. For the fiscal year ended September 30, 2018, the City provided \$ 40,500 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.

Union County Literacy Council is involved in the promotion of literacy throughout the county. For the fiscal year ended September 30, 2018, 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, 2018, 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, 2018, 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, 2018, the City provided \$ 25,615 in support to the Museum.

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

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2018

NOTE 16. JOINT VENTURES (continued)

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

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

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

During the current fiscal year, the City of New Albany, again acting as a conduit, received \$ 77,221 from the District to fund the required CAP loan note payments of \$ 62,346 in principal payments and \$ 14,875 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, 2018, the City’s contribution to the district amounted to \$ 16,671 which was charged as “aid to other governments” to expenditures.

NOTE 17. 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 18. UNEMPLOYMENT CONTINGENT LIABILITY

The City has an agency fund in which it holds funds restricted to pay unemployment claims. At September 30, 2018, \$ 17,423 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 19. 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.

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2018

NOTE 20. 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, 2018, the City recognized revenue of \$ 25,000 related to this sale agreement with the unamortized balance of \$ 312,500 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 21. FUND BALANCE REPORTING

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

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

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

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

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

Unassigned – the residual classification.

NOTE 22. 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*.

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2018

NOTE 22. PENSION PLAN (continued)

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 \$ 1,100,162 for the year ended September 30, 2018.

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

At September 30, 2018, the City reported a liability of \$ 18,087,555 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018. At June 30, 2018, the City's proportion was 0.1088 %, which was an increase of .0023% from its proportion measured as of June 30, 2017.

For the year ended September 30, 2018, the City recognized pension expense of \$ 2,295,800. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2018

NOTE 22. PENSION PLAN (continued)

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	\$ 140,195	\$ 95,044
Changes in assumptions	142,666	17,015
Net difference between projected and actual earnings on pension plan investments	-	316,612
Changes in proportion and differences between City contributions and proportionate share of contributions	1,282,961	-
City contributions subsequent to the measurement date	561,495	-
	<u>\$ 2,127,317</u>	<u>\$ 439,814</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,	
2019	\$ 580,165
2020	392,652
2021	59,315
2022	93,876
2023	-
Therafter	-
	<u>\$ 1,126,008</u>

Actuarial assumptions

The total pension liability in the June 30, 2018 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%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

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, 2018 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.

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2018

NOTE 22. PENSION PLAN (continued)

Actuarial assumptions (continued)

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, 2018, 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.

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:

	<i>1% Decrease</i>	<i>Current Discount Rate</i>	<i>1% Increase</i>
City's proportionate share of the net pension liability	\$ 23,825,716	\$ 18,087,555	\$ 13,331,731

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2018

NOTE 22. PENSION PLAN (continued)

Pension plan fiduciary net position

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

Payables to the pension plan

Amounts included in accounts payable and accrued expenses related to PERS contributions payable at September 30, 2018 are not material to the financial statements.

NOTE 23. 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, 2018, the City abated property taxes totaling \$ 81,845. One new agreements were entered into by the City in 2018 and thirty-three 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, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget Positive (Negative)
	Original	Final	Basis	
Revenues:				
Taxes	\$ 1,211,400	\$ 1,197,403	\$ 1,196,000	\$ (1,403)
Licenses and permits	142,200	127,781	127,781	-
Intergovernmental revenue	4,193,670	4,170,044	4,179,908	9,864
Charges for services	221,322	229,237	220,582	(8,655)
Fines and forfeitures	317,000	275,735	275,735	-
Investment earnings	10,000	5,373	5,373	-
Miscellaneous	78,500	76,859	74,982	(1,877)
Total Revenues	<u>6,174,092</u>	<u>6,082,432</u>	<u>6,080,361</u>	<u>(2,071)</u>
Expenditures:				
General government:				
Legislative:				
Personal services	111,982	111,982	105,369	6,613
Supplies	50	50	-	50
Other services and charges	11,900	11,900	7,455	4,445
	<u>123,932</u>	<u>123,932</u>	<u>112,824</u>	<u>11,108</u>
Judicial:				
Personal services	140,243	153,684	153,684	-
Supplies	5,500	5,500	4,028	1,472
Other services and charges	36,050	36,050	22,272	13,778
Capital outlay	-	-	-	-
	<u>181,793</u>	<u>195,234</u>	<u>179,984</u>	<u>15,250</u>
Executive:				
Personal services	159,053	159,053	156,633	2,420
Supplies	6,100	6,100	2,729	3,371
Other services and charges	9,075	9,075	5,782	3,293
Capital outlay	-	-	-	-
	<u>174,228</u>	<u>174,228</u>	<u>165,144</u>	<u>9,084</u>
Financial:				
Personal services	149,551	149,551	129,065	20,486
Supplies	7,050	7,050	5,672	1,378
Other services and charges	120,225	120,225	100,079	20,146
	<u>276,826</u>	<u>276,826</u>	<u>234,816</u>	<u>42,010</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, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures - Continued:				
Legal:				
Personal services	78,861	79,019	79,019	-
Supplies	50	50	-	50
Other services and charges	7,350	7,350	5,276	2,074
	<u>86,261</u>	<u>86,419</u>	<u>84,295</u>	<u>2,124</u>
Building Inspector:				
Personal services	114,495	114,495	111,511	2,984
Supplies	13,450	13,450	7,762	5,688
Other services and charges	22,000	22,000	15,344	6,656
	<u>149,945</u>	<u>149,945</u>	<u>134,617</u>	<u>15,328</u>
Public property:				
Personal services	87,078	87,078	84,440	2,638
Supplies	9,050	9,050	4,262	4,788
Other services and charges	128,725	128,725	104,703	24,022
Capital outlay	106,367	113,895	113,895	-
	<u>331,220</u>	<u>338,748</u>	<u>307,300</u>	<u>31,448</u>
Miscellaneous:				
Personal services	10,000	10,000	7,492	2,508
Supplies	750	750	169	581
Other services and charges	440,620	440,620	397,397	43,223
	<u>451,370</u>	<u>451,370</u>	<u>405,058</u>	<u>46,312</u>
Public Safety:				
Police:				
Personal services	1,686,727	1,686,727	1,577,050	109,677
Supplies	141,500	141,500	137,890	3,610
Other services and charges	164,500	166,809	166,808	1
Capital outlay	53,000	53,000	49,300	3,700
	<u>2,045,727</u>	<u>2,048,036</u>	<u>1,931,048</u>	<u>116,988</u>
Fire:				
Personal services	1,172,617	1,172,617	1,103,259	69,358
Supplies	72,725	73,760	73,760	-
Other services and charges	61,950	61,950	55,910	6,040
Capital outlay	111,740	111,740	111,740	-
	<u>1,419,032</u>	<u>1,420,067</u>	<u>1,344,669</u>	<u>75,398</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, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget Positive (Negative)
	Original	Final	Basis	
Expenditures - Continued:				
Streets:				
Personal services	460,287	460,287	374,037	86,250
Supplies	140,400	140,400	133,864	6,536
Other services and charges	227,200	227,200	205,351	21,849
Capital outlay	53,000	53,000	12,636	40,364
	<u>880,887</u>	<u>880,887</u>	<u>725,888</u>	<u>154,999</u>
Recreation:				
Personal services	529,076	529,076	521,306	7,770
Supplies	215,250	215,250	208,289	6,961
Other services and charges	84,950	86,263	86,263	-
Capital outlay	81,200	81,200	79,468	1,732
	<u>910,476</u>	<u>911,789</u>	<u>895,326</u>	<u>16,463</u>
Other Financing Sources (Uses):				
Operating transfers in (out)	669,000	669,000	669,000	-
Proceeds from the disposal of capital assets	2,498	2,498	4,570	2,072
	<u>671,498</u>	<u>671,498</u>	<u>673,570</u>	<u>2,072</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(186,107)	(303,551)	232,962	<u>\$ 536,513</u>
Fund balance - beginning of year	<u>1,627,492</u>	<u>945,745</u>	<u>2,323,798</u>	
Fund balance - end of year	<u>\$ 1,441,385</u>	<u>\$ 642,194</u>	<u>\$ 2,556,760</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budgetary basis			232,962	
Revenue and expense accruals, net			<u>(86,588)</u>	
Modified accrual basis			<u>\$ 146,374</u>	

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

CITY OF NEW ALBANY, MISSISSIPPI
Budgetary Comparison Schedule - Tourism Fund
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget Positive (Negative)
	Original	Final	Basis	
Revenues:				
Project donations	\$ 10,000	\$ 10,000	\$ 14,323	4,323
Intergovernmental revenue	826,063	752,533	747,533	(5,000)
Miscellaneous revenue	10,000	3,583	2,148	(1,435)
Investment earnings	200	200	2,312	2,112
Total Revenues	846,263	766,316	766,316	-
Expenditures:				
General government:				
Heritage Museum				
Personal services	105,078	105,369	105,369	-
Other services and charges	29,616	29,616	29,616	-
Capital outlay	25,000	25,000	25,000	-
	159,694	159,985	159,985	-
City Beautification:				
Other services and charges	72,212	74,956	74,956	-
	72,212	74,956	74,956	-
Cine' Restoration:				
Personal services	27,000	29,745	29,745	
Other services and charges	15,000	15,000	15,000	-
Capital outlay	40,000	40,000	40,000	-
	82,000	84,745	84,745	-
Tourism & Marketing				
Personal services	73,787	73,787	37,213	36,574
Consumable supplies	66,500	66,500	64,242	2,258
	140,287	140,287	101,455	38,832
New Albany Main Street:				
Other services and charges	52,000	52,000	50,344	1,656
	52,000	52,000	50,344	1,656

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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures - Continued:				
Miscellaneous:				
Other services and charges	185,000	185,000	172,829	12,171
Capital outlay	<u>155,070</u>	<u>155,070</u>	<u>124,933</u>	<u>30,137</u>
	<u>340,070</u>	<u>340,070</u>	<u>297,762</u>	<u>42,308</u>
 Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	 -	 (85,727)	 (2,931)	 <u>\$ 82,796</u>
 Fund balance - beginning of year	 <u>176,006</u>	 <u>110,409</u>	 <u>170,313</u>	
 Fund balance - end of year	 <u>\$ 176,006</u>	 <u>\$ 24,682</u>	 <u>\$ 167,382</u>	
 Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budgetary basis			 (2,931)	
 Revenue and expense accruals, net			<u>66,014</u>	
 Modified accrual basis			<u>\$ 63,083</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

Last 5 Fiscal Years*

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.1088%	0.1065%	0.1031%	0.1039%	0.1001%
City's proportionate share of the net pension liability	\$ 18,087,555	\$ 18,128,584	\$ 17,576,074	\$ 14,925,261	\$ 12,721,932
City's covered-employee payroll	\$ 6,985,445	\$ 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	258.9320%	258.8908%	269.9005%	236.9712%	205.8827%
Plan fiduciary net position as a percentage of the total pension liability	62.5351%	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,100,162	\$ 1,102,879	\$ 1,025,649	\$ 991,989	\$ 973,226
Contributions in relation to contractually required contribution	<u>(1,100,162)</u>	<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>	<u>\$ -</u>
System's covered-employee payroll	\$ 6,985,445	\$ 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%	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, 2018

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

- 2016
 - Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

Changes in assumptions

- 2017
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
 - The wage inflation assumption was reduced from 3.75% to 3.25%.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.
- 2016
 - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
- 2015
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
 - The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
 - Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
 - The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

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

None identified during periods presented in the required supplementary information

Combining Fund Statements

CITY OF NEW ALBANY, MISSISSIPPI
Combining Balance Sheets - All General Funds
September 30, 2018

	General Fund	Clearing Accounts	CDBG Grants	Water & Sewer Improvement Fund	Street Improvement Fund	HUD Programs	Health Reimburse- ment Account	Total General Funds
ASSETS								
Cash	\$ 622,993	\$ (10,977)	\$ 50,424	\$ 128,698	\$ 899,034	\$ 60	\$ 3,127	\$ 1,693,359
Investments	1,585,556	-	-	644,414	-	-	-	2,229,970
Prepaid expenses	2,316	-	-	-	-	-	-	2,316
Due from other funds	-	-	-	-	-	-	-	-
Accounts receivable	584,953	264	832	788	26,499	-	-	613,336
	<u>\$ 2,795,818</u>	<u>\$ (10,713)</u>	<u>\$ 51,256</u>	<u>\$ 773,900</u>	<u>\$ 925,533</u>	<u>\$ 60</u>	<u>\$ 3,127</u>	<u>\$ 4,538,981</u>
LIABILITIES								
Accounts payable and accrued expenses	\$ 260,599	\$ (10,904)	\$ -	\$ -	\$ 50,276	\$ -	\$ -	\$ 299,971
Due to other funds	116,404	-	-	-	-	-	-	116,404
	<u>377,003</u>	<u>(10,904)</u>	<u>-</u>	<u>-</u>	<u>50,276</u>	<u>-</u>	<u>-</u>	<u>416,375</u>
DEFERRED INFLOWS OF RESOURCES								
Advance payments received	<u>82,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,150</u>
FUND BALANCES								
Restricted	-	-	-	-	-	-	-	-
Committed	500,000	-	-	-	-	-	-	500,000
Assigned	-	-	51,256	773,900	875,257	60	3,127	1,703,600
Unassigned	1,836,665	191	-	-	-	-	-	1,836,856
	<u>2,336,665</u>	<u>191</u>	<u>51,256</u>	<u>773,900</u>	<u>875,257</u>	<u>60</u>	<u>3,127</u>	<u>4,040,456</u>
	<u>\$ 2,795,818</u>	<u>\$ (10,713)</u>	<u>\$ 51,256</u>	<u>\$ 773,900</u>	<u>\$ 925,533</u>	<u>\$ 60</u>	<u>\$ 3,127</u>	<u>\$ 4,538,981</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, 2018

	General Fund	Clearing Accounts	CDBG Grants	Water & Sewer Improvement Fund	Street Improvement Fund	HUD Programs	Health Reimburse- ment Account	Total General Funds
Revenues:								
Taxes	\$ 1,266,473	\$ -	\$ -	\$ -	\$ 201,689	\$ -	\$ -	\$ 1,468,162
Licenses and permits	137,786	-	-	-	-	-	-	137,786
Intergovernmental revenue	4,068,731	-	-	-	123,570	-	-	4,192,301
Charges for services	222,794	-	-	-	-	-	-	222,794
Fines and forfeitures	273,017	-	-	-	-	-	-	273,017
Investment earnings	8,461	347	276	2,307	4,687	-	33	16,111
Miscellaneous	75,257	-	-	-	-	-	-	75,257
Total Revenues	6,052,519	347	276	2,307	329,946	-	33	6,385,428
Expenditures:								
General government	1,488,995	-	-	-	6,175	-	19,602	1,514,772
Public safety	3,115,808	-	-	-	-	-	-	3,115,808
Public works	713,287	-	-	-	-	-	-	713,287
Culture and recreation	815,997	-	-	-	-	-	-	815,997
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-
Capital outlay	383,847	-	-	-	227,462	-	-	611,309
Total Expenditures	6,517,934	-	-	-	233,637	-	19,602	6,771,173
Excess (Deficiency) of Revenues over Expenditures	(465,415)	347	276	2,307	96,309	-	(19,569)	(385,745)
Other Financing Sources (Uses):								
Transfers in	669,000	-	-	-	100,000	-	20,000	789,000
Transfers out	(134,760)	-	-	(195,092)	-	-	-	(329,852)
Lease principal payments	-	-	-	-	-	-	-	-
Loan proceeds	68,400	-	-	-	-	-	-	68,400
Total Other Financing Sources (Uses)	602,640	-	-	(195,092)	100,000	-	20,000	527,548
Special Item:								
Proceeds from the disposal of capital assets	4,570	-	-	-	-	-	-	4,570
Net Change in Fund Balances	141,795	347	276	(192,785)	196,309	-	431	146,373
Fund balances - beginning	2,194,870	(156)	50,980	966,685	678,948	60	2,696	3,894,083
Fund balances - ending	\$ 2,336,665	\$ 191	\$ 51,256	\$ 773,900	\$ 875,257	\$ 60	\$ 3,127	\$ 4,040,456

CITY OF NEW ALBANY, MISSISSIPPI
Combining Balance Sheets - Nonmajor Governmental Funds
September 30, 2018

Special Revenue

	Fire Protection	New Albany/ Union County Drug Task Force	COPS	Local Records Management	Keep New Albany/ Union County Beautiful	Dare Program	Law Enforcement	Tallahatchie River Players	Freedom Celebration 2007	CAP Loans	Total Special Revenue Funds
ASSETS											
Cash	\$ 671,128	\$ 98,700	\$ 12	\$ 6,693	\$ 2,291	\$ 1,823	\$ 31	\$ 5,766	\$ 4,089	\$ 16,602	\$ 807,135
Investments	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	743	-	-	-	-	-	-	-	-	743
Lease receivable	-	-	-	-	-	-	-	-	-	219,931	219,931
	<u>\$ 671,128</u>	<u>\$ 99,443</u>	<u>\$ 12</u>	<u>\$ 6,693</u>	<u>\$ 2,291</u>	<u>\$ 1,823</u>	<u>\$ 31</u>	<u>\$ 5,766</u>	<u>\$ 4,089</u>	<u>\$ 236,533</u>	<u>\$ 1,027,809</u>
LIABILITIES											
Accounts payable and accrued expenses	\$ (1,572)	\$ 11,696	\$ -	\$ 29	\$ 139	\$ -	\$ -	\$ 459	\$ 2,833	\$ -	\$ 13,584
DEFERRED INFLOWS OF RESOURCES											
Lease principal	-	-	-	-	-	-	-	-	-	196,923	196,923
Lease interest	-	-	-	-	-	-	-	-	-	22,713	22,713
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,636</u>	<u>219,636</u>
FUND BALANCE											
Restricted	-	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-	-
Assigned	672,700	87,747	12	6,664	2,152	1,823	31	5,307	1,256	16,897	794,589
Unassigned	-	-	-	-	-	-	-	-	-	-	-
	<u>672,700</u>	<u>87,747</u>	<u>12</u>	<u>6,664</u>	<u>2,152</u>	<u>1,823</u>	<u>31</u>	<u>5,307</u>	<u>1,256</u>	<u>16,897</u>	<u>794,589</u>
	<u>\$ 671,128</u>	<u>\$ 99,443</u>	<u>\$ 12</u>	<u>\$ 6,693</u>	<u>\$ 2,291</u>	<u>\$ 1,823</u>	<u>\$ 31</u>	<u>\$ 5,766</u>	<u>\$ 4,089</u>	<u>\$ 236,533</u>	<u>\$ 1,027,809</u>

CITY OF NEW ALBANY, MISSISSIPPI

Combining Balance Sheets - Nonmajor Governmental Funds (Continued)

September 30, 2018

	Debt Service		Capital Projects					Total Capital Project Funds	Total All Nonmajor Funds
	Industrial Park	Total Debt Service Funds	Park Along the River	Economic and Industrial Development Fund	Magnolia Civic Center	New Albany/ Union County Airport Grant	Sportsplex		
ASSETS									
Cash	\$ 248	\$ 248	\$ 84,950	\$ 31,253	\$ 52,072	\$ 8,559	\$ 3,119	\$ 179,953	\$ 987,336
Investments	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Accounts receivable	286	286	-	197,701	-	11,335	-	209,036	210,065
Lease receivable	-	-	-	-	-	-	-	-	219,931
	<u>\$ 534</u>	<u>\$ 534</u>	<u>\$ 84,950</u>	<u>\$ 228,954</u>	<u>\$ 52,072</u>	<u>\$ 19,894</u>	<u>\$ 3,119</u>	<u>\$ 388,989</u>	<u>\$ 1,417,332</u>
LIABILITIES									
Accounts payable and accrued expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,666</u>	<u>\$ 391</u>	<u>\$ 15,864</u>	<u>\$ -</u>	<u>\$ 88,921</u>	<u>\$ 102,505</u>
DEFERRED INFLOWS OF RESOURCES									
Lease principal	-	-	-	-	-	-	-	-	196,923
Lease interest	-	-	-	-	-	-	-	-	22,713
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,636</u>
FUND BALANCE									
Restricted	-	-	-	156,288	-	-	-	156,288	156,288
Committed	-	-	-	-	-	-	-	-	-
Assigned	534	534	84,950	-	51,681	4,030	3,119	143,780	938,903
Unassigned	-	-	-	-	-	-	-	-	-
	<u>534</u>	<u>534</u>	<u>84,950</u>	<u>156,288</u>	<u>51,681</u>	<u>4,030</u>	<u>3,119</u>	<u>300,068</u>	<u>1,095,191</u>
	<u>\$ 534</u>	<u>\$ 534</u>	<u>\$ 84,950</u>	<u>\$ 228,954</u>	<u>\$ 52,072</u>	<u>\$ 19,894</u>	<u>\$ 3,119</u>	<u>\$ 388,989</u>	<u>\$ 1,417,332</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, 2018

	Special Revenue										Total Special Revenue Funds
	Fire Protection	New Albany/ Union County Drug Task Force	COPS	Local Records Management	Keep New Albany/ Union County Beautiful	Dare Program	Law Enforcement	Tallahatchie River Players	Freedom Celebration 2007	CAP Loans	
Revenues:											
Taxes	\$ 84,335	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,335
Intergovernmental revenue	51,146	88,449	-	-	-	-	-	-	-	-	139,595
Charges for services	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	5,635	-	-	-	-	-	-	-	-	5,635
Investment earnings	3,351	705	-	36	1	10	-	4	2	7,416	11,525
Miscellaneous	-	300	-	343	-	-	-	32	100	-	775
Total Revenues	<u>138,832</u>	<u>95,089</u>	<u>-</u>	<u>379</u>	<u>1</u>	<u>10</u>	<u>-</u>	<u>36</u>	<u>102</u>	<u>7,416</u>	<u>241,865</u>
Expenditures:											
General government	-	-	-	-	-	-	-	-	-	-	-
Public safety	10,701	45,676	-	-	-	-	-	-	-	-	56,377
Culture and recreation	-	-	-	-	-	-	-	967	310	-	1,277
Debt service:											
Principal	-	-	-	-	-	-	-	-	-	26,472	26,472
Interest and other charges	-	-	-	-	-	-	-	-	-	9,598	9,598
Capital outlay	-	60,398	-	-	-	-	-	-	-	-	60,398
Total Expenditures	<u>10,701</u>	<u>106,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>967</u>	<u>310</u>	<u>36,070</u>	<u>154,122</u>
Excess (Deficiency) of Revenues over Expenditures	<u>128,131</u>	<u>(10,985)</u>	<u>-</u>	<u>379</u>	<u>1</u>	<u>10</u>	<u>-</u>	<u>(931)</u>	<u>(208)</u>	<u>(28,654)</u>	<u>87,743</u>
Other Financing Sources (Uses):											
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Lease principal payments	-	-	-	-	-	-	-	-	-	30,554	30,554
Total Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,554</u>	<u>30,554</u>
Net Change in Fund Balances	128,131	(10,985)	-	379	1	10	-	(931)	(208)	1,900	118,297
Fund balances - beginning	<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>
Fund balances - ending	<u>\$ 672,700</u>	<u>\$ 87,747</u>	<u>\$ 12</u>	<u>\$ 6,664</u>	<u>\$ 2,152</u>	<u>\$ 1,823</u>	<u>\$ 31</u>	<u>\$ 5,307</u>	<u>\$ 1,256</u>	<u>\$ 16,897</u>	<u>\$ 794,589</u>

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, 2018

	<u>Debt Service</u>		<u>Capital Projects</u>						
	<u>Industrial</u>	<u>Total</u>	<u>Park</u>	<u>Economic</u>	<u>Magnolia</u>	<u>New Albany/</u>		<u>Total</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>Capital</u>	<u>All</u>
	<u>Park</u>	<u>Funds</u>	<u>River</u>	<u>Development</u>	<u>Center</u>	<u>Airport</u>	<u>Sportsplex</u>	<u>Project</u>	<u>Nonmajor</u>
	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>	<u>Fund</u>	<u>Fund</u>	<u>Grant</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
Revenues:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,335
Intergovernmental revenue	-	-	-	624,120	-	100,514	-	724,634	864,229
Charges for services	-	-	-	-	1,326	-	-	1,326	1,326
Fines and forfeitures	-	-	-	-	-	-	-	-	5,635
Investment earnings	1	1	455	3	300	112	22	892	12,418
Miscellaneous	-	-	-	273,842	300	-	-	274,142	274,917
Total Revenues	<u>1</u>	<u>1</u>	<u>455</u>	<u>897,965</u>	<u>1,926</u>	<u>100,626</u>	<u>22</u>	<u>1,000,994</u>	<u>1,242,860</u>
Expenditures:									
General government	-	-	-	-	-	-	10,305	10,305	10,305
Public safety	-	-	-	-	-	-	-	-	56,377
Culture and recreation	-	-	-	-	15,695	-	-	15,695	16,972
Principal	-	-	-	-	-	-	-	-	26,472
Interest and other charges	-	-	-	-	-	-	-	-	9,598
Capital outlay	-	-	32,367	941,894	28,732	96,862	10,066	1,109,921	1,170,319
Total Expenditures	<u>-</u>	<u>-</u>	<u>32,367</u>	<u>941,894</u>	<u>44,427</u>	<u>96,862</u>	<u>20,371</u>	<u>1,135,921</u>	<u>1,290,043</u>
Excess (Deficiency) of Revenues									
over Expenditures	<u>1</u>	<u>1</u>	<u>(31,912)</u>	<u>(43,929)</u>	<u>(42,501)</u>	<u>3,764</u>	<u>(20,349)</u>	<u>(134,927)</u>	<u>(47,183)</u>
Other Financing Sources (Uses):									
Transfers in	-	-	10,000	-	55,000	4,080	-	69,080	69,080
Transfers out	-	-	-	-	-	-	-	-	-
Lease principal payments	-	-	-	-	-	-	-	-	30,554
Loan proceeds	-	-	-	195,000	-	-	-	195,000	195,000
Total Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>195,000</u>	<u>55,000</u>	<u>4,080</u>	<u>-</u>	<u>264,080</u>	<u>294,634</u>
Net Change in Fund Balances	1	1	(21,912)	151,071	12,499	7,844	(20,349)	129,153	247,451
Fund balances - beginning	<u>533</u>	<u>533</u>	<u>106,862</u>	<u>5,217</u>	<u>39,182</u>	<u>(3,814)</u>	<u>23,468</u>	<u>170,915</u>	<u>847,740</u>
Fund balances - ending	<u>\$ 534</u>	<u>\$ 534</u>	<u>\$ 84,950</u>	<u>\$ 156,288</u>	<u>\$ 51,681</u>	<u>\$ 4,030</u>	<u>\$ 3,119</u>	<u>\$ 300,068</u>	<u>\$ 1,095,191</u>

CITY OF NEW ALBANY, MISSISSIPPI

Combining Statement of Fund Net Position - Nonmajor Proprietary Funds

September 30, 2018

	Waste Disposal	New Albany/ Union County Airport	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 906,030	\$ 18,470	\$ 924,500
Accounts receivable	63,322	12,287	75,609
Total current assets	969,352	30,757	1,000,109
Noncurrent Assets			
Capital assets:			
Machinery and equipment	1,028,307	31,991	1,060,298
Less: accumulated depreciation	(957,134)	(20,317)	(977,451)
Total non-current assets	71,173	11,674	82,847
DEFERRED OUTFLOWS			
Pension plan	41,208	-	41,208
Total assets and Deferred Outflows	1,081,733	42,431	1,124,164
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued expenses	70,867	2,109	72,976
Total current liabilities	70,867	2,109	72,976
Noncurrent liabilities			
Pension liability	629,463	-	629,463
Total noncurrent liabilities	629,463	-	629,463
DEFERRED INFLOWS			
Pension plan	15,514	-	15,514
NET POSITION			
Invested in capital assets, net of related debt	71,173	11,674	82,847
Unrestricted	294,716	28,648	323,364
Total net position	\$ 365,889	\$ 40,322	\$ 406,211

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, 2018

	Waste Disposal	New Albany/ Union County Airport	Total Nonmajor Enterprise Funds
Operating revenues:			
Charges for services	\$ 813,084	\$ 25,762	\$ 838,846
Other	<u>-</u>	<u>300</u>	<u>300</u>
Total operating revenues	<u>813,084</u>	<u>26,062</u>	<u>839,146</u>
Operating expenses:			
Depreciation and amortization	26,028	2,034	28,062
Operation and maintenance	<u>745,260</u>	<u>50,460</u>	<u>795,720</u>
Total operating expenses	<u>771,288</u>	<u>52,494</u>	<u>823,782</u>
Operating income (loss)	<u>41,796</u>	<u>(26,432)</u>	<u>15,364</u>
Non-operating revenues (expenses)			
Interest income	4,700	72	4,772
Interest expense	-	-	-
Gain on sale of plant	-	-	-
Property taxes	61,143	-	61,143
Intergovernmental revenue	<u>3,818</u>	<u>10,668</u>	<u>14,486</u>
Total nonoperating revenues (expenses)	<u>69,661</u>	<u>10,740</u>	<u>80,401</u>
Income (loss) before operating transfers	111,457	(15,692)	95,765
Transfers in (out)	<u>-</u>	<u>10,680</u>	<u>10,680</u>
Change in net position	111,457	(5,012)	106,445
Net position, beginning	<u>254,432</u>	<u>45,334</u>	<u>299,766</u>
Net position, ending	<u><u>\$ 365,889</u></u>	<u><u>\$ 40,322</u></u>	<u><u>\$ 406,211</u></u>

CITY OF NEW ALBANY, MISSISSIPPI

Combining Statement of Cash Flows - Nonmajor Proprietary Funds

For the Year Ended September 30, 2018

	Waste Disposal	New Albany/ Union County Airport	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Cash received from customers	\$ 802,454	\$ 17,129	\$ 819,583
Cash payments to suppliers for goods and services	(388,420)	(49,919)	(438,339)
Cash payments to employees	(344,505)	-	(344,505)
Net cash provided by (used in) operating activities	<u>69,529</u>	<u>(32,790)</u>	<u>36,739</u>
Cash flows from non-capital financing activities:			
Operating transfers, net	-	10,680	10,680
Net cash provided by (used in) non-capital financing activities	<u>-</u>	<u>10,680</u>	<u>10,680</u>
Cash flows from capital and related financing activities:			
Taxes and intergovernmental revenues, net	64,961	10,668	75,629
Payments for acquisition of capital assets	-	-	-
Net cash provided by (used in) capital and related financing activities	<u>64,961</u>	<u>10,668</u>	<u>75,629</u>
Cash flows from investing activities:			
Interest on investments	4,700	72	4,772
Net change in cash	139,190	(11,370)	127,820
Cash and cash equivalents at beginning of year	766,840	29,840	796,680
Cash and cash equivalents at end of year	<u>\$ 906,030</u>	<u>\$ 18,470</u>	<u>\$ 924,500</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 41,796	\$ (26,432)	\$ 15,364
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	26,027	2,035	28,062
Decrease (increase) in:			
Accounts receivable	(10,630)	(8,933)	(19,563)
Increase (decrease) in:			
Accounts payable and accrued expenses	(10,137)	540	(9,597)
Pension liability	(55,788)	-	(55,788)
Deferred inflows/outflows	78,261	-	78,261
Net cash provided by operating activities	<u>\$ 69,529</u>	<u>\$ (32,790)</u>	<u>\$ 36,739</u>

CITY OF NEW ALBANY, MISSISSIPPI
Combining Statement of Fiduciary Net Position
September 30, 2018

	Unemployment Tax	Flexible Spending	Total Fiduciary Funds
Assets			
Cash	\$ 2,211	\$ 6,415	\$ 8,626
Accounts and interest receivable	-	-	-
Investments	<u>15,212</u>	<u>-</u>	<u>15,212</u>
Total Assets	<u>\$ 17,423</u>	<u>\$ 6,415</u>	<u>\$ 23,838</u>
Liabilities			
Accounts payable and accrued expenses	<u>17,423</u>	<u>6,415</u>	<u>23,838</u>
Total Liabilities	<u>\$ 17,423</u>	<u>\$ 6,415</u>	<u>\$ 23,838</u>

Other Supplemental Information

CITY OF NEW ALBANY, MISSISSIPPI

Schedule of Surety Bonds for Municipal Officials

September 30, 2018

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
Tina Wood	Court Clerk	RLI Insurance Company	\$ 50,000
Tiffany Gates	Deputy Clerk	Brierfield Insurance	\$ 50,000
Tiffany Gates	Notary Bond	Brierfield Insurance	\$ 5,000
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
Lilianna Castillo	Policeman	RLI Insurance Company	\$ 50,000
Mark Cossitt	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
Brandon Garrett	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
Chris Swords	Policeman	RLI Insurance Company	\$ 50,000
Brock White	Policeman	RLI Insurance Company	\$ 50,000
Jimmy Whitten	Policeman	RLI Insurance Company	\$ 50,000
Justin Williams	Policeman	RLI Insurance Company	\$ 50,000
Gabriel Wilson	Policeman	Brierfield Insurance	\$ 50,000
Louis R. Zemek	Policeman	RLI Insurance Company	\$ 50,000
Sherry Ausburn	Utility Department	Brierfield Insurance	\$ 50,000
Sherry Ausburn	Utility Department	Brierfield Insurance	\$ 5,000
Rob Anderson	Utility Department	RLI Insurance Company	\$ 50,000
Marty Baker	Utility Department	RLI Insurance Company	\$ 50,000
LaTonya Ball	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
Rickey Roberson	Utility Department	Brierfield Insurance	\$ 50,000
Wendy Speck	Utility Department	RLI Insurance Company	\$ 50,000
Donna Teague	Utility Department	Brierfield Insurance	\$ 50,000

CITY OF NEW ALBANY, MISSISSIPPI

Schedule of Expenditures of Federal Awards

For the year ended September 30, 2018

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Federal Grantor: U.S. Department of Transportation		
Pass-through Grantor: Federal Aviation Administration through Mississippi Department of Transportation		
Program Title: Airport Improvement Program		
Install precision approach path indicators Grant ID: 3-28-0053-017-2015	20.106	4,563
Remove obstructions in runway transitional surfaces Grant ID: 3-28-0053-018-2017	20.106	82,611
Pass-through Grantor: Mississippi Department of Public Safety		
Program Title: National Priority Safety Programs Subgrant ID: M5X-2018-MD-22-41 Grant ID: 405D Alcohol and Drug Impaired Driving	20.616	34,372
<i>Total U.S. Department of Transportation</i>		<u>\$ 121,546</u>
Federal Grantor: U.S. Department of Homeland Security-FEMA		
Program Title: Assistance to Firefighters Operations and Safety Grant ID: EMW-2016-FO-01783	97.044	<u>\$ 106,667</u>
Federal Grantor: Appalachian Regional Commission		
Pass-through Grantor: Mississippi Development Authority		
Program Title: Appalachian Regional Development ARC 2017 Grant ID: MS-19000	23.002	<u>\$ 111,236</u>

The notes to schedule of expenditures of federal awards are an integral part of this statement.

CITY OF NEW ALBANY, MISSISSIPPI

Schedule of Expenditures of Federal Awards - Continued

For the year ended September 30, 2018

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Federal Grantor: U.S. Department of Housing and Urban Development		
Pass-through Grantor: Mississippi Development Authority		
Program Title: Community Development Block Grants CDBG 2016		
Grant ID: 1133-17-274-ED-01	14.228	\$ <u>624,120</u>
Federal Grantor: U.S. Department of Agriculture		
Pass-through Grantor: Rural Utility Service		
Program Title: Water and Waste Disposal Systems for Rural Communities Sewer 2018		
Grant ID: Loan No. 15	10.760	\$ <u>387,745</u>
Total expenditures of federal awards		\$ <u><u>1,351,314</u></u>

The notes to schedule of expenditures of federal awards are an integral part of this statement.

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Schedule of Expenditures of Federal Awards For the year ended September 30, 2018

NOTE A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the System under programs of the federal government for the year ended September 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the System, it is not intended and does not present the financial position, changes in net assets, or cash flows of the System.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C. INDIRECT COST RATE

The Organization has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF NEW ALBANY, MISSISSIPPI

Schedule of Findings and Questioned Costs For the year ended September 30, 2018

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

CFDA

<u>Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as a low risk auditee?	No

CITY OF NEW ALBANY, MISSISSIPPI

Schedule of Findings and Questioned Costs For the year ended September 30, 2018

Section II-Financial Statement Findings

<u>Finding Number</u>	<u>Material Weakness in Internal Control and Related Recommendations</u>
2018-001	<p>Condition: The payroll clearing bank account was unreconciled during the course of the fiscal year ended September 30, 2018 due to payroll transactions that were unrecorded during the course of the year stemming from the migration to an outsourced payroll vendor during the previous fiscal year.</p> <p>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 ensure the completeness of recorded transactions.</p> <p>Cause: Payroll transactions occurring during the fourth quarter of calendar year 2017 were not recorded due to prior year's migration to an outsourced payroll service provider which necessitated manual posting of transactions to the books of the City.</p> <p>Effect: Overstatement of payroll clearing bank account and unreconciled bank accounts for the fiscal year.</p> <p>Recommendation: Post the audit adjustments and commence routine reconciliation procedures, prospectively.</p> <p>Management's Response: The City has terminated the outsourced payroll vendor and upgraded the integrated payroll module within the City's financial management system.</p>
<u>Finding Number</u>	<u>Significant Deficiencies in Internal Control and Related Recommendations</u>
2018-002	<p>Condition: One individual is often responsible for recording transactions in the financial records of the Organization and reconciling account balances.</p> <p>Criteria: Proper internal controls dictate that there should be a separation of duties between the authorization, recording, reconciling and reporting of transactions.</p> <p>Cause: Limited number of available administrative staff.</p> <p>Effect: An improper separation of duties between authorization, recording, reconciling and report of transactions.</p> <p>Recommendation: To the extent practicable, account balances should be reconciled by personnel independent of the recording of the underlying transactions.</p> <p>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.</p>

CITY OF NEW ALBANY, MISSISSIPPI

Schedule of Findings and Questioned Costs For the year ended September 30, 2018

Section III-Federal Award Findings and Questioned Costs

Finding Reference Number	<u>Other Matters</u>
Federal Program 2018-003	<p>Water and Waste Disposal Systems for Rural Communities</p> <p>Condition: The Sewer Department failed to obtain the certification of a review appraiser in establishing just compensation for the purchase of real property funded by a nonmajor federal award program.</p> <p>Criteria: The use of an appraisal review and certification process is required under the Real Property Acquisition and Relocation Assistance Act.</p> <p>Cause: Department personnel were unaware of the requirement to obtain certification from an appraisal reviewer consistent with the underlying regulations</p> <p>Effect: Technical noncompliance with a law or regulation to which the related nonmajor federal program is subject.</p> <p>Recommendation: Obtain a certification from a review appraiser as soon as is practicable.</p> <p>Management's Response: Management will obtain a certification from a review appraiser.</p>



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, 2018 and have issued our report thereon dated February 7, 2019. 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*.

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

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

Nail McKinney P.A.

Tupelo, Mississippi
February 7, 2019



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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 7, 2019.

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 (internal control) 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in finding number 2018-001 in the accompanying schedule of findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in finding reference number 2018-002 in the accompanying schedule of findings and questioned costs to be a significant deficiency.

Compliance and Other Matters

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

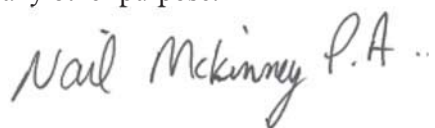
the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required 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 questioned costs. City of New Albany, Mississippi management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in dark ink that reads "Nail McKinney P.A.". The signature is written in a cursive, flowing style.

Tupelo, Mississippi
February 7, 2019



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Independent Auditors' Report on Compliance for each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the City of New Albany, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as finding number 2018-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in dark ink, reading "Nail McKinney P.A." in a cursive style.

Tupelo, Mississippi
February 7, 2019

CITY OF NEW ALBANY, MISSISSIPPI

Corrective Action Plan

Year ended September 30, 2018

Finding 2018-001

Unreconciled payroll clearing account

City's Response: We concur.

Views of Responsible Officials and Corrective Action:

As a consequence of the conversion to an outsourced payroll vendor in the fiscal year ended September 30, 2017, the posting of payroll entries became a manual process with each payroll rather than automatically posting from an integrated payroll module within the financial management system. The vendor was unable to produce reports sufficiently detailed by department to facilitate the manual posting required. After working with the vendor for several months to try to find a solution, the City terminated the outsourced payroll vendor relationship in favor of an upgraded payroll module within the integrated financial management system. This conversion to an integrated solution occurred January 1, 2018. Since the fiscal year began October 1, 2017, the payroll entries for the period beginning October 1, 2017 through December 31, 2017 were unrecorded.

The financial management system personnel were able to accumulate payroll related entries and post them to the books and records of the City, but recorded aggregate entries to accrual accounts within the payroll clearing fund. This posting of payroll entries for the period beginning October 1, 2017 through December 31, 2017 did not occur until near the fiscal year end of September 30, 2018. Accordingly, since the entries were not posted for the entirety of the fiscal year, City personnel were unable to reconcile the payroll clearing account cash account. In conjunction with the annual financial audit, the auditors assisted in the reconciliation of the account for the year and provided City personnel with the entries necessary to reconcile the account prospectively. Subsequent to year end, the payroll clearing account is again subject to routine monthly reconciliation procedures.

Name of Responsible Person: Frankie Roberts, City Clerk

Name of City Contact: Frankie Roberts, City Clerk

Projected Implementation Date: Implemented

CITY OF NEW ALBANY, MISSISSIPPI

Corrective Action Plan

Year ended September 30, 2018

Finding 2018-002

Improper Separation of Duties

City's Response: We concur that the City has limited administrative personnel resulting in potential improper separation of duties.

Views of Responsible Officials and Corrective Action:

At both the New Albany Light, Gas, and Water Departments and at City Hall, administrative staff to process accounting transactions are limited. Consequently, one individual is sometimes responsible for recording transactions in the financial records and reconciling the related account balances. However, the City believes mitigating controls exist, including signature controls over disbursements and rotation of reconciliation duties periodically. Accordingly, due to the perception that mitigating controls exist, management does not anticipate pursuing further corrective action.

Name of Responsible Person: Frankie Roberts, City Clerk

Name of City Contact: Frankie Roberts, City Clerk

Projected Implementation Date: Management does not anticipate pursuing corrective action

CITY OF NEW ALBANY, MISSISSIPPI

Corrective Action Plan

Year ended September 30, 2018

Finding 2018-003

Program:	Water and Waste Disposal Systems for Rural Communities
CFDA No.:	10.760
Federal Agency:	U.S. Department of Agriculture
Passed-Through:	Rural Utility Service
Grant Name and ID:	Sewer 2018 Loan No. 15
Compliance Requirement:	Other – Uniform Relocation Assistance and Real Property Acquisition Policies Act

Lack of documented appraisal review

New Albany Sewer Department Response: We concur

Views of Responsible Officials and Corrective Action:

The New Albany Light, Gas, and Water Department (NALGW) was unaware of the requirement for a review appraiser to concur with the appraisal obtained supporting the acquisition of real property for the project financed with federal funds. The manager of NALGW is consulting with the project engineers in order to obtain the certification of a review appraiser as required.

Name of Responsible Person:	Bill Mattox, Manager of NALGW
Name of City Contact:	Bill Mattox, Manager of NALGW
Projected Implementation Date:	April 30, 2019