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FINANCIAL REPORT

**CITY OF NEW ALBANY,
MISSISSIPPI**

September 30, 2019

CITY OF NEW ALBANY, MISSISSIPPI

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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, 2019, 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, 2019, 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 55, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New Albany, Mississippi's basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of surety bonds for municipal officials are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 21, 2020, 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 effectiveness of the City's 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 the City of New Albany's internal control over financial reporting and compliance.



Tupelo, Mississippi
February 21, 2020

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, 2019. 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, 2019 by \$40,859,075 (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 \$2,456,617 is restricted for specific purposes. Unrestricted net position decreased by \$1,852,337, restricted net position increased by \$1,971,515, and invested in capital assets increased by \$236,585.
- As of the close of the current fiscal year, the City of New Albany's proprietary funds reported combined ending net position of \$30,990,312. 87.0% of this total amount or \$26,952,472 is invested in capital assets, 5.1% or \$1,582,010 is unrestricted, and the remainder of 7.9% or \$2,455,830 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 \$5,179,480. The unassigned part of the fund balance, which is available for use within the City's policies, is \$1,944,333, the assigned part, which is intended for use for specific purposes, is \$2,729,927, the committed part, which has constraints imposed by Board action, is \$500,000 and the restricted part, which has outside constraints, is \$5,220.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$1,944,333.

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 whole and

CITY OF NEW ALBANY, MISSISSIPPI

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 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 \$40,859,075 as of September 30, 2019.

The largest portion of the City's net position (99.3%) reflects its investments in capital assets (e.g., land, timber rights, building, machinery and equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending, and with exception of business type assets, do not generate direct revenue for the City. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF NEW ALBANY'S NET POSITION

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and Other Assets	\$ 7,033,661	\$ 7,162,701	\$22,570,731	\$20,664,292	\$ 29,604,392	\$ 27,826,993
Capital Assets	14,437,016	14,208,904	37,511,183	34,875,672	51,948,199	49,084,576
Total Assets	\$ 21,470,677	\$ 21,371,605	\$60,081,914	\$55,539,964	\$ 81,552,591	\$ 76,911,569
Deferred Outflows of Resources	\$ 887,968	\$ 818,293	\$ 1,486,238	\$ 1,322,595	\$ 2,374,206	\$ 2,140,888
Long-term Liabilities	\$ 11,162,406	\$ 10,651,080	\$20,018,997	\$16,469,046	\$ 31,181,403	\$ 27,120,126
Other Liabilities	828,593	859,379	10,322,532	9,698,890	11,151,125	10,558,269
Total Liabilities	\$ 11,990,999	\$ 11,510,459	\$30,341,529	\$26,167,936	\$ 42,332,528	\$ 37,678,395
Deferred Inflows of Resources	\$ 498,883	\$ 632,190	\$ 236,311	\$ 238,560	\$ 735,194	\$ 870,750
Net Position						
Invested in capital assets, net of related debt	\$ 13,622,017	\$ 13,052,504	\$26,952,472	\$27,285,400	\$ 40,574,489	\$ 40,337,904
Restricted	787	534	2,455,830	484,568	2,456,617	485,102
Unrestricted	(3,754,041)	(3,005,789)	1,582,010	2,686,095	(2,172,031)	(319,694)
Total Net Position	\$ 9,868,763	\$ 10,047,249	\$30,990,312	\$30,456,063	\$ 40,859,075	\$ 40,503,312

An additional portion of the City's net position (6.0%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position (\$2,172,031) may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF NEW ALBANY, MISSISSIPPI

As of September 30, 2019, 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. The total and governmental activity net positions were also negative in the prior fiscal year.

Analysis of the City's Operations—Overall the City had an increase in net position of \$355,763.

Governmental Activities: Governmental activities decreased the net position by \$178,486 or 50.0% of the total gain in net position. Invested in capital assets, net of related debt increased by \$569,513 primarily due to improvements and decreases in related debt. Unrestricted net position decreased by \$748,252 primarily due to increases in capital assets and decreases in debt related to capital assets. Restricted net assets increased \$253.

Total revenues for governmental activities decreased from the previous year by \$117,085. General revenues had a net increase of 7.6%, primarily due to increases in property tax and sales tax collections. Program revenues had a 19.7% net increase, which was primarily due to increased capital grants and contributions. Disposal of S&A Industries site property that was improved by CDBG revenue in the prior year resulted in a \$902,560 decrease in revenues shown as a loss on the sale of assets.

Total expenses for governmental activities increased \$350,276 or 4.1%. This increase was related to increases in General Government and Public Works.

- General Government increased \$201,722 or 8.7%. Increased costs in General Government are due primarily to street repair, professional services and personnel services.
- Public Works increased \$110,339 or 10.7%. Increased costs in Public Works are due primarily to personnel services and utilities.

Business-type Activities: Net Position from business-type activities increased \$534,249 or 1.8% from \$30,456,063 to \$30,990,312 accounting for 150.0% of the total increase in net position. Invested in capital assets, net of related debt decreased by \$332,928 primarily due to bonds and notes issued for construction in progress. Unrestricted net position decreased by \$1,104,085 primarily due to increases in net assets restricted for debt services, which increased \$1,971,262.

Total revenues for business-type activities increased \$1,003,303 or 2.5%. This increase was primarily due to increases in charges for services of \$481,383 in the Gas Department, \$269,865 in the Electric Department and \$99,504 in the Sewer Department.

Total expenses for the business-type activities increased \$805,562 or 2.1%. This increase was primarily due to an increase of \$526,860 in the Electric Department and an increase of \$212,435 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, 2019 with comparative totals for year ended September 30, 2018

CITY OF NEW ALBANY'S CHANGES IN NET POSITION

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 773,007	\$ 683,661	\$40,687,161	\$39,867,315	\$ 41,460,168	\$ 40,550,976
Operating grants and contributions	680,200	761,875	13,146	14,486	693,346	776,361
Capital grants and contributions	1,604,837	1,109,712	-	-	1,604,837	1,109,712
General Revenues:					-	-
Property Taxes	1,856,524	1,612,154	63,932	61,143	1,920,456	1,673,297
Sales Tax	3,510,188	3,423,636	-	-	3,510,188	3,423,636
Special City Sales Tax	905,390	797,090	-	-	905,390	797,090
Franchise Taxes	52,122	50,603	-	-	52,122	50,603
Investment Earnings	39,295	30,841	42,878	27,386	82,173	58,227
Special Item-Gain(Loss) on Sale/Disposal of assets	(941,894)	(39,334)	-	-	(941,894)	(39,334)
Transfers	296,712	463,228	(296,712)	(463,228)	-	-
Total Revenues	\$ 8,776,381	\$ 8,893,466	\$40,510,405	\$39,507,102	\$ 49,286,786	\$ 48,400,568
Expenses:						
General Government	\$ 2,518,526	\$ 2,316,804	\$ -	\$ -	\$ 2,518,526	\$ 2,316,804
Depreciation expense not included in other functions	174,286	157,357	-	-	174,286	157,357
Public Safety	3,867,800	3,855,041	-	-	3,867,800	3,855,041
Public Works	1,140,729	1,030,390	-	-	1,140,729	1,030,390
Culture and Recreation	1,217,997	1,206,331	-	-	1,217,997	1,206,331
Interest on long-term debt	35,529	38,668	-	-	35,529	38,668
Water	-	-	1,537,884	1,492,604	1,537,884	1,492,604
Sewer	-	-	1,160,075	1,213,071	1,160,075	1,213,071
Gas	-	-	4,050,649	3,838,214	4,050,649	3,838,214
Electric	-	-	2,329,783	31,802,923	32,329,783	31,802,923
Waste Disposal	-	-	838,583	771,288	838,583	771,288
Airport	-	-	59,182	52,494	59,182	52,494
Total expenses	\$ 8,954,867	\$ 8,604,591	\$39,976,156	\$39,170,594	\$ 48,931,023	\$ 47,775,185
Increase (Decrease) in net net assets before transfers	\$ (178,486)	\$ 288,875	\$ 534,249	\$ 336,508	\$ 355,763	\$ 625,383
Transfers					-	-
Increase in net assets	\$ (178,486)	\$ 288,875	\$ 534,249	\$ 336,508	\$ 355,763	\$ 625,383
Net position-October 1	10,047,249	9,758,374	30,456,063	30,119,555	40,503,312	39,877,929
Adjustments	-	-	-	-	-	-
Net Position-September 30	\$ 9,868,763	\$ 10,047,249	\$30,990,312	\$30,456,063	\$ 40,859,075	\$ 40,503,312

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 \$5,179,480. Approximately 37.5% of this total amount (\$1,944,333) constitutes unassigned fund balance. The remainder of the fund balance is restricted (\$5,220), committed (\$500,000) or assigned (\$2,729,927).

General Fund Budgetary Highlights – In the general fund, the City budgeted for no change in the fund balance on a budget basis. Due to actual expenses being more than budgeted, the actual fund balance decreased for fiscal year 2019 by \$387,938.

The City did not revise the original appropriations approved by the City Council.

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 - (\$85,201), Sewer System - (\$1,240,111), Gas System - \$1,106,556, Electric Department - \$1,402,027, Waste Disposal - \$381,884, and NA/UC Airport – \$16,855. The total of these unrestricted net assets is \$1,582,010. Changes in net position for enterprise funds in 2019 were as follows: Water - (\$160,050), Sewer – \$55,070, Gas System – \$816,493, Electric Department – (\$225,447), Waste Disposal – \$61,799, and NA/UC Airport – (\$13,616). The total change in unrestricted net assets was \$534,249.

CAPITAL ASSETS

The City of New Albany's investment in capital assets for its governmental and business-type activities as of September 30, 2019, amounts to \$51,948,199 (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 10.8% (4.5% increase in governmental activities and 6.3% increase in business-type activities).

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

- Airport terminal building in progress
- Widening Coulter Drive completed
- Repaving Park Plaza Drive completed
- Gas department expansion into Marshall County in progress
- Sewer department moving sewage lagoon in progress

CITY OF NEW ALBANY, MISSISSIPPI

GOVERNMENTAL FUND ACTIVITIES

Asset Classification	Balance 10/1/2018	Additions	Deletions	Balance 9/30/2019
Capital Asset Values				
Land	\$ 2,494,588		\$ (1,010,293)	\$ 1,484,295
Construction in Progress	405,325	1,869,119	(1,862,837)	411,607
Timber Rights	10,000			10,000
Buildings	3,394,151			3,394,151
Improvements other than buildings	8,480,449	1,825,430		10,305,879
Machinery and Equipment	4,396,555	212,605	(24,769)	4,584,391
Road Network	2,708,666			2,708,666
Bridge Network	746,935			746,935
				-
Total at Historical Cost	\$ 22,636,669	\$ 3,907,154	\$ (2,897,899)	\$ 23,645,924
Less: Capital Asset Accumulated Depreciation				
Buildings	(1,264,214)	(94,228)		(1,358,442)
Improvements other than buildings	(2,415,177)	(345,427)		(2,760,604)
Machinery and Equipment	(3,143,949)	(252,786)	22,319	(3,374,416)
Road Network	(1,378,780)	(94,803)		(1,473,583)
Bridge Network	(225,645)	(16,218)		(241,863)
				-
Total Accumulated Depreciation	\$ (8,427,765)	\$ (803,462)	\$ 22,319	\$ (9,208,908)
Governmental Activities Capital Assets, Net	\$ 14,208,904	\$ 3,103,692	\$ (2,875,580)	\$ 14,437,016

BUSINESS-TYPE ACTIVITIES

Asset Classification	Balance 10/1/2018	Additions	Deletions	Balance 9/30/2019
Capital Asset Values				
Land	\$ 385,318	\$ 367,762		\$ 753,080
Construction in Progress	913,355	2,865,813		3,779,168
Distribution Plant	65,230,021	1,460,103	(205,567)	66,484,557
Machinery and Equipment	6,805,031	117,651		6,922,682
				-
Total at Historical Cost	\$ 73,333,725	\$ 4,811,329	\$ (205,567)	\$ 77,939,487
Less: Capital Asset Accumulated Depreciation				
Distribution Plant	(33,168,920)	(1,788,034)	209,829	(34,747,125)
Machinery and Equipment	(5,289,133)	(392,046)		(5,681,179)
				-
Total Accumulated Depreciation	\$ (38,458,053)	\$ (2,180,080)	\$ 209,829	\$ (40,428,304)
Business-Type Activities Capital Assets, Net	\$ 34,875,672	\$ 2,631,249	\$ 4,262	\$ 37,511,183

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, bond premiums, compensated absences and notes payable of \$12,579,550. Of this amount, \$922,228 represents notes payable by governmental activities, \$283,611 compensated absences and \$815,000 bonds payable by governmental activities, \$38,527 represents bond premiums, \$4,549,414 represents bonds paid by water revenues, \$2,065,826 represents bonds paid by electric revenues, \$3,000,000 represents bonds paid by gas revenues, and \$904,944 represents notes payable by proprietary funds.

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

	Governmental Activities		Business-type Activities		Totals	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Bonds Payable	\$ 815,000	\$ 893,000	\$ 9,615,240	\$ 7,157,774	\$ 10,430,240	\$ 8,050,774
Notes Payable	922,228	1,276,564	904,944	412,169	1,827,172	1,688,733
Compensated Absences	203,259	197,298	80,352	76,227	283,611	273,525
Bond Premiums			38,527	20,329	38,527	20,329
Totals	<u>\$1,940,487</u>	<u>\$2,366,862</u>	<u>\$ 10,639,063</u>	<u>\$ 7,666,499</u>	<u>\$ 12,579,550</u>	<u>\$ 10,033,361</u>

During the fiscal year, the City's total debt increased by \$2,546,189 or 25.4%. Compensated absences were increased in governmental and business-type \$10,086. Combined Revenue Note, Series 2019 of \$518,813 was issued as interim financing for the Sewer Department lagoon project in progress. Series 2018 G.O. Utility Bond of \$3,019,375 (including bond premium) was issued to fund the Gas Department's Marshall County expansion. Debt in the amount of \$1,002,085 matured or refinanced during the year.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2020 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 2020 year.

The general fund budget for the year 2020 shows an increase in the receipts that the City will collect, mainly due to intergovernmental revenues showing a budgeted increase. The 2020 general fund budget shows an increase in the expenditures, mainly due to budgeted increases in personnel services. If these budgeted estimates are realized the City's budgeted general fund balance is expected to remain the same by the close of 2020.

The City of New Albany for the 2020 year is lining up several things for future growth in the City. The airport terminal building project should be complete by April 2020. At this time this is the only major project that the City has planned.

Gas and Sewer Departments have budget increases in metered sales. The Gas, Water and Sewer Departments have budgeted grant funds and note and bond proceeds. These revenues offset increased

CITY OF NEW ALBANY, MISSISSIPPI

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 2020.

For 2020, the Electric Department has purchased the Fred's building which it is planning to remodel and use as administrative offices as well as lease to other City offices. 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 begin a Union County system expansion, that includes 10 miles of distribution line. The Gas Department plans to renovate the former Sale Barn property to use as offices and warehouse space. The Water Department plans to identify main distribution lines in need of replacing and apply for grant/loan money to make the improvements. The Sewer Department is continuing construction of its a new wastewater treatment plant and making 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 flourish at the end.

Frankie Roberts
City Clerk

Basic Financial Statements

CITY OF NEW ALBANY, MISSISSIPPI

Statement of Net Position

September 30, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 3,014,238	\$ 13,683,715	\$ 16,697,953
Temporary cash investments	2,234,965	1,951,715	4,186,680
Accounts and interest receivable	944,827	5,577,524	6,522,351
Prepaid expenses	10,465	39,326	49,791
Materials and supplies	-	1,158,921	1,158,921
Capital assets:			
Land, improvements and construction in progress	1,905,902	4,532,248	6,438,150
Other capital assets, net of depreciation	12,531,114	32,978,935	45,510,049
Lease receivable	181,971	-	181,971
Other assets	-	128,921	128,921
Notes receivable	647,195	30,609	677,804
Total Assets	<u>21,470,677</u>	<u>60,081,914</u>	<u>81,552,591</u>
Deferred Outflows of Resources			
Pension plan	887,968	1,476,149	2,364,117
TVA Heat Pump Program	-	10,089	10,089
	<u>887,968</u>	<u>1,486,238</u>	<u>2,374,206</u>
Liabilities			
Accounts payable and accrued liabilities	655,661	7,493,340	8,149,001
Customer deposits	-	2,143,357	2,143,357
Noncurrent liabilities:			
Due within one year	172,932	685,835	858,767
Due in more than one year	1,767,555	9,953,228	11,720,783
Pension liability	9,394,851	10,065,769	19,460,620
Total Liabilities	<u>11,990,999</u>	<u>30,341,529</u>	<u>42,332,528</u>
Deferred Inflows of Resources			
Advance payments received	369,650	10,092	379,742
Pension	112,896	226,219	339,115
Lease interest	16,337	-	16,337
	<u>498,883</u>	<u>236,311</u>	<u>735,194</u>
Net Position			
Invested in capital assets, net of related debt	13,622,017	26,952,472	40,574,489
Restricted for:			
Debt service	787	2,455,830	2,456,617
Unrestricted	(3,754,041)	1,582,010	(2,172,031)
Total Net Position	<u>\$ 9,868,763</u>	<u>\$ 30,990,312</u>	<u>\$ 40,859,075</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, 2019

		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	\$ 2,518,526	\$ 247,689	\$ 169,602	\$ 1,604,837	\$ (496,398)	\$ -	\$ (496,398)
Depreciation expense	174,286	-	-	-	(174,286)	-	(174,286)
Public safety	3,867,800	265,537	164,037	-	(3,438,226)	-	(3,438,226)
Public works	1,140,729	-	329,310	-	(811,419)	-	(811,419)
Culture and recreation	1,217,997	259,781	17,251	-	(940,965)	-	(940,965)
Interest	35,529	-	-	-	(35,529)	-	(35,529)
Total	8,954,867	773,007	680,200	1,604,837	(5,896,823)	-	(5,896,823)
Business-type Activities:							
Water System	1,537,884	1,400,593	-	-	-	(137,291)	(137,291)
Sewer System	1,160,075	1,214,138	-	-	-	54,063	54,063
Gas System	4,050,649	5,132,926	-	-	-	1,082,277	1,082,277
Electric	32,329,783	32,088,851	-	-	-	(240,932)	(240,932)
Waste Disposal	838,583	826,532	2,478	-	-	(9,573)	(9,573)
Airport	59,182	24,121	10,668	-	-	(24,393)	(24,393)
Total	39,976,156	40,687,161	13,146	-	-	724,151	724,151
Total Primary Government	\$ 48,931,023	\$ 41,460,168	\$ 693,346	\$ 1,604,837	(5,896,823)	724,151	(5,172,672)
General Revenues:							
Taxes:							
General purpose levies					1,856,524	63,932	1,920,456
Sales taxes					3,510,188	-	3,510,188
Special city sales taxes					905,390	-	905,390
Franchise taxes					52,122	-	52,122
Investment earnings					39,295	42,878	82,173
Gain (loss) on asset disposals					(941,894)	-	(941,894)
Transfers					296,712	(296,712)	-
Total					5,718,337	(189,902)	5,528,435
Change in Net Position					(178,486)	534,249	355,763
Net Position, beginning					10,047,249	30,456,063	40,503,312
Net Position, ending					\$ 9,868,763	\$30,990,312	\$40,859,075

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

CITY OF NEW ALBANY, MISSISSIPPI

Balance Sheet - Governmental Funds

September 30, 2019

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Tourism Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 1,622,226	\$ 368,779	\$ 1,023,233	\$ 3,014,238
Investments	2,234,965	-	-	2,234,965
Prepaid expenses	10,465	-	-	10,465
Accounts receivable	628,487	270,535	45,805	944,827
Lease receivable	-	-	181,971	181,971
	<u>-</u>	<u>-</u>	<u>181,971</u>	<u>181,971</u>
Total Assets	<u>\$ 4,496,143</u>	<u>\$ 639,314</u>	<u>\$ 1,251,009</u>	<u>\$ 6,386,466</u>
LIABILITIES				
Liabilities:				
Accounts payable and accrued expenses	\$ 532,407	\$ 46,532	\$ 76,722	\$ 655,661
	<u>532,407</u>	<u>46,532</u>	<u>76,722</u>	<u>655,661</u>
Total Liabilities	<u>532,407</u>	<u>46,532</u>	<u>76,722</u>	<u>655,661</u>
DEFERRED INFLOWS OF RESOURCES				
Advance payments received	82,150	287,500	-	369,650
Lease principal	-	-	165,337	165,337
Lease interest	-	-	16,338	16,338
	<u>82,150</u>	<u>287,500</u>	<u>181,675</u>	<u>551,325</u>
FUND BALANCES				
Restricted	-	-	5,220	5,220
Committed	500,000	-	-	500,000
Assigned	1,437,253	305,282	987,392	2,729,927
Unassigned	1,944,333	-	-	1,944,333
	<u>3,881,586</u>	<u>305,282</u>	<u>992,612</u>	<u>5,179,480</u>
Total Fund Balances	<u>3,881,586</u>	<u>305,282</u>	<u>992,612</u>	<u>5,179,480</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,496,143</u>	<u>\$ 639,314</u>	<u>\$ 1,251,009</u>	<u>\$ 6,386,466</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, 2019

	<u>Amount</u>
Total Fund Balance - Total Governmental Funds	\$ 5,179,480
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 \$ 9,208,912	14,437,016
2. Other long-term assets are not available to pay for current period expenditures and are, therefore, not recognized in the governmental funds.	812,533
3. Long-term liabilities, including bonds payable, are not due and payable in the current period and are, therefore, not reported in governmental funds.	(1,737,228)
4. Accrued compensated absences are not due and payable in the current year and are, therefore, not reported in the governmental funds.	(203,259)
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>(8,619,779)</u>
Total Net Position - Governmental Activities	<u>\$ 9,868,763</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, 2019

	Major Funds			
	General Fund	Tourism Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 1,708,050	\$ -	\$ 88,225	\$ 1,796,275
Licenses and permits	154,362	-	-	154,362
Intergovernmental revenue	5,238,520	905,390	555,772	6,699,682
Charges for services	227,034	-	7,800	234,834
Fines and forfeitures	250,837	-	6,580	257,417
Investment earnings	22,151	2,738	14,406	39,295
Miscellaneous	139,292	46,855	121,951	308,098
Total Revenues	<u>7,740,246</u>	<u>954,983</u>	<u>794,734</u>	<u>9,489,963</u>
Expenditures:				
General government	1,633,568	754,718	10,000	2,398,286
Public safety	3,302,005	-	71,765	3,373,770
Public works	819,321	-	-	819,321
Culture and recreation	797,164	-	80,335	877,499
Debt service:				
Principal	-	78,000	290,731	368,731
Interest and other charges	-	26,790	8,739	35,529
Capital outlay	1,639,627	-	536,475	2,176,102
Total Expenditures	<u>8,191,685</u>	<u>859,508</u>	<u>998,045</u>	<u>10,049,238</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(451,439)</u>	<u>95,475</u>	<u>(203,311)</u>	<u>(559,275)</u>
Other Financing Sources (Uses):				
Transfers in	1,189,000	-	69,142	1,258,142
Transfers out	(896,430)	(65,000)	-	(961,430)
Lease principal payments	-	-	31,586	31,586
Total Other Financing Sources (Uses)	<u>292,570</u>	<u>(65,000)</u>	<u>100,728</u>	<u>328,298</u>
Net Change in Fund Balances	<u>(158,869)</u>	<u>30,475</u>	<u>(102,583)</u>	<u>(230,977)</u>
Fund balances - beginning	<u>4,040,455</u>	<u>274,807</u>	<u>1,095,195</u>	<u>5,410,457</u>
Fund balances - ending	<u>\$ 3,881,586</u>	<u>\$ 305,282</u>	<u>\$ 992,612</u>	<u>\$ 5,179,480</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, 2019

	<u>Amount</u>
Net Change in Fund Balances - Total Governmental Funds	\$ (230,977)
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.	1,238,407
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.	(1,010,294)
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.	(5,961)
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.	(31,586)
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.	(506,806)
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>368,731</u>
Change in Net Position of Governmental Activities	<u>\$ (178,486)</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, 2019

Major Funds

	Water System	Sewer System	Gas System	Electric Department	Other Enterprise Funds	Total Enterprise Funds
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 171,544	\$ 754,081	\$ 3,704,538	\$ 8,023,131	\$ 1,030,421	\$ 13,683,715
Investments	495,227	-	869,345	587,143	-	1,951,715
Materials and supplies	-	-	596,922	561,999	-	1,158,921
Accounts receivable, net of allowance for doubtful accounts of \$ 150,924	490,628	236,045	307,268	4,481,957	61,626	5,577,524
Other receivables	-	-	278	128,643	-	128,921
Prepayments	-	-	11,833	27,493	-	39,326
Total current assets	<u>1,157,399</u>	<u>990,126</u>	<u>5,490,184</u>	<u>13,810,366</u>	<u>1,092,047</u>	<u>22,540,122</u>
Noncurrent Assets						
Notes receivable	-	-	-	30,609	-	30,609
Capital assets:						
Land	58,902	197,465	469,395	27,318	-	753,080
Distribution plant	10,620,521	11,038,989	9,453,882	35,371,164	-	66,484,556
Machinery and equipment	331,767	10,821	1,468,184	4,051,612	1,060,298	6,922,682
Construction in progress	-	953,606	2,185,070	640,492	-	3,779,168
Less: accumulated depreciation	<u>(6,318,741)</u>	<u>(4,303,773)</u>	<u>(8,461,037)</u>	<u>(20,340,109)</u>	<u>(1,004,643)</u>	<u>(40,428,303)</u>
Total non-current assets	<u>4,692,449</u>	<u>7,897,108</u>	<u>5,115,494</u>	<u>19,781,086</u>	<u>55,655</u>	<u>37,541,792</u>
Total assets	<u>5,849,848</u>	<u>8,887,234</u>	<u>10,605,678</u>	<u>33,591,452</u>	<u>1,147,702</u>	<u>60,081,914</u>
DEFERRED OUTFLOWS OF RESOURCES						
Pension plan	259,134	11,765	287,284	849,982	67,984	1,476,149
TVA Heat Pump Program	-	-	-	10,089	-	10,089
	<u>259,134</u>	<u>11,765</u>	<u>287,284</u>	<u>860,071</u>	<u>67,984</u>	<u>1,486,238</u>
LIABILITIES						
Current liabilities						
Accounts payable and accrued expenses	201,248	1,102,807	741,240	5,382,831	65,214	7,493,340
Customer deposits	129,070	-	538,549	1,475,738	-	2,143,357
Current maturities of long-term debt	<u>35,154</u>	<u>251,497</u>	<u>100,000</u>	<u>299,184</u>	<u>-</u>	<u>685,835</u>
Total current liabilities	<u>365,472</u>	<u>1,354,304</u>	<u>1,379,789</u>	<u>7,157,753</u>	<u>65,214</u>	<u>10,322,532</u>
Non-current liabilities						
Accrual for compensated absences	-	-	9,569	70,783	-	80,352
Notes payable	-	378,786	-	-	-	378,786
Bonds payable	1,539,260	3,268,813	2,919,375	1,766,642	-	9,494,090
Pension liability	<u>1,109,293</u>	<u>466,807</u>	<u>1,595,252</u>	<u>6,206,604</u>	<u>687,813</u>	<u>10,065,769</u>
Total non-current liabilities	<u>2,648,553</u>	<u>4,114,406</u>	<u>4,524,196</u>	<u>8,044,029</u>	<u>687,813</u>	<u>20,018,997</u>
Total liabilities	<u>3,014,025</u>	<u>5,468,710</u>	<u>5,903,985</u>	<u>15,201,782</u>	<u>753,027</u>	<u>30,341,529</u>
DEFERRED INFLOWS OF RESOURCES						
Pension plan	13,330	32,483	19,170	152,971	8,265	226,219
TVA Heat Pump Program	-	-	-	10,092	-	10,092
	<u>13,330</u>	<u>32,483</u>	<u>19,170</u>	<u>163,063</u>	<u>8,265</u>	<u>236,311</u>
NET POSITION						
Invested in capital assets, net of related debt	3,118,035	3,998,012	2,096,119	17,684,651	55,655	26,952,472
Temporarily restricted	48,793	639,905	1,767,132	-	-	2,455,830
Unrestricted	<u>(85,201)</u>	<u>(1,240,111)</u>	<u>1,106,556</u>	<u>1,402,027</u>	<u>398,739</u>	<u>1,582,010</u>
Total net position	<u>\$ 3,081,627</u>	<u>\$ 3,397,806</u>	<u>\$ 4,969,807</u>	<u>\$ 19,086,678</u>	<u>\$ 454,394</u>	<u>\$ 30,990,312</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, 2019

	Major Funds				Other Enterprise Funds	Total Enterprise Funds
	Water System	Sewer System	Gas System	Electric Department		
Operating revenues:						
Charges for services	\$ 1,373,812	\$ 1,199,853	\$ 5,094,648	\$ 31,106,750	\$ 816,565	\$ 39,591,628
Other	26,781	14,285	38,278	982,101	34,088	1,095,533
Total operating revenues	<u>1,400,593</u>	<u>1,214,138</u>	<u>5,132,926</u>	<u>32,088,851</u>	<u>850,653</u>	<u>40,687,161</u>
Operating expenses:						
Natural gas purchased	-	-	1,970,232	-	-	1,970,232
Operation and maintenance	1,282,863	830,519	1,689,509	3,835,038	870,572	8,508,501
Purchased power	-	-	-	25,994,158	-	25,994,158
Depreciation and amortization	208,799	239,022	282,626	1,159,046	27,193	1,916,686
Tax equivalents	-	-	-	1,224,328	-	1,224,328
Total operating expenses	<u>1,491,662</u>	<u>1,069,541</u>	<u>3,942,367</u>	<u>32,212,570</u>	<u>897,765</u>	<u>39,613,905</u>
Operating income (loss)	<u>(91,069)</u>	<u>144,597</u>	<u>1,190,559</u>	<u>(123,719)</u>	<u>(47,112)</u>	<u>1,073,256</u>
Non-operating revenues (expenses):						
Interest income	1,241	1,007	17,608	15,485	7,537	42,878
Interest expense	(46,222)	(90,534)	(108,282)	(111,252)	-	(356,290)
Non-operating expenses	-	-	-	(5,961)	-	(5,961)
Property taxes	-	-	-	-	63,932	63,932
Intergovernmental revenue	-	-	-	-	13,146	13,146
Total nonoperating revenues (expenses)	<u>(44,981)</u>	<u>(89,527)</u>	<u>(90,674)</u>	<u>(101,728)</u>	<u>84,615</u>	<u>(242,295)</u>
Income (loss) before operating transfers	(136,050)	55,070	1,099,885	(225,447)	37,503	830,961
Transfers in (out)	(24,000)	-	(283,392)	-	10,680	(296,712)
Change in net position	<u>(160,050)</u>	<u>55,070</u>	<u>816,493</u>	<u>(225,447)</u>	<u>48,183</u>	<u>534,249</u>
Net position, beginning	<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>
Net position, ending	<u>\$ 3,081,627</u>	<u>\$ 3,397,806</u>	<u>\$ 4,969,807</u>	<u>\$ 19,086,678</u>	<u>\$ 454,394</u>	<u>\$ 30,990,312</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, 2019

	Major Funds				Other Enterprise Funds	Total Enterprise Funds
	Water System	Sewer System	Gas System	Electric Department		
Cash flows from operating activities:						
Receipts from customers	\$ 1,393,243	\$ 1,154,505	\$ 5,063,808	\$ 32,483,907	\$ 864,636	\$ 40,960,099
Payments to suppliers	(649,156)	(10,058)	(2,605,087)	(27,079,400)	(1,252,755)	(31,596,456)
Payments to employees	(599,099)	(315,496)	(1,011,304)	(2,915,124)	398,745	(4,442,278)
Net cash provided (used) by operating activities	<u>144,988</u>	<u>828,951</u>	<u>1,447,417</u>	<u>2,489,383</u>	<u>10,626</u>	<u>4,921,365</u>
Cash flows from non-capital financing activities:						
Transfers from (to) other funds	(24,000)	-	(283,392)	(1,081,800)	10,680	(1,378,512)
Net cash provided (used) in non-capital financing activities	<u>(24,000)</u>	<u>-</u>	<u>(283,392)</u>	<u>(1,081,800)</u>	<u>10,680</u>	<u>(1,378,512)</u>
Cash flows from capital and related financing activities:						
Taxes and intergovernmental revenues, net	-	-	-	-	77,078	77,078
Proceeds from issuance of debt	-	518,813	3,019,375	-	-	3,538,188
Payments for acquisition of capital assets	(6,818)	(760,953)	(2,268,401)	-	-	(3,036,172)
Principal payments on long-term debt	(34,202)	(247,215)	-	(288,332)	-	(569,749)
Net additions to utility plant	-	-	-	(1,516,024)	-	(1,516,024)
Interest paid on long-term debt	(46,222)	(90,534)	(108,282)	(111,252)	-	(356,290)
Net cash provided by (used in) capital and related financing activities	<u>(87,242)</u>	<u>(579,889)</u>	<u>642,692</u>	<u>(1,915,608)</u>	<u>77,078</u>	<u>(1,862,969)</u>
Cash flows from investing activities:						
Interest on investments	1,241	1,007	17,415	15,485	7,537	42,685
Increase in notes receivable	-	-	-	(2,283)	-	(2,283)
Cash received from maturity of certificates of deposit	-	-	-	585,383	-	585,383
Cash paid for investment in certificates of deposit	(1,163)	-	(3,779)	(587,143)	-	(592,085)
Net cash provided (used) by investing activities	<u>78</u>	<u>1,007</u>	<u>13,636</u>	<u>11,442</u>	<u>7,537</u>	<u>33,700</u>
Net change in cash	33,824	250,069	1,820,353	(496,583)	105,921	1,713,584
Cash and cash equivalents at beginning of year	137,720	504,012	1,884,185	8,519,714	924,500	11,970,131
Cash and cash equivalents at end of year	<u>\$ 171,544</u>	<u>\$ 754,081</u>	<u>\$ 3,704,538</u>	<u>\$ 8,023,131</u>	<u>\$ 1,030,421</u>	<u>\$ 13,683,715</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ (91,069)	\$ 144,597	\$ 1,190,559	\$ (123,719)	\$ (47,112)	\$ 1,073,256
Nonoperating expenses	-	-	-	(5,961)	-	(5,961)
Transfers to City General Fund				1,081,800		1,081,800
Depreciation and amortization	208,799	239,022	282,626	1,159,046	27,193	1,916,686
Change in:						
Accounts receivable	(9,453)	(59,633)	(114,825)	195,980	13,983	26,052
Deferred outflows	-	-	-	-	(34,025)	(34,025)
Gas held in storage	-	-	(120,368)	-	-	(120,368)
Materials and supplies	-	-	(6,261)	(80,511)	-	(86,772)
Prepayments	-	-	-	(2,589)	-	(2,589)
Accounts payable and accrued expenses	(33,251)	490,343	141,118	(170,802)	(7,763)	419,645
Pension liability	206,805	7,540	315,869	106,087	58,350	694,651
Deferred inflows/outflows	(138,946)	7,082	(257,828)	257,756	-	(131,936)
Customer deposits	2,103	-	16,527	72,296	-	90,926
Net cash provided (used) by operating activities	<u>\$ 144,988</u>	<u>\$ 828,951</u>	<u>\$ 1,447,417</u>	<u>\$ 2,489,383</u>	<u>\$ 10,626</u>	<u>\$ 4,921,365</u>

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

CITY OF NEW ALBANY, MISSISSIPPI

Statement of Fiduciary Net Position

September 30, 2019

	Agency Funds
Assets	
Cash	\$ 9,381
Investments	<u>15,242</u>
Total Assets	<u><u>\$ 24,623</u></u>
Liabilities	
Accounts payable and accrued expenses	<u>24,623</u>
Total Liabilities	<u><u>\$ 24,623</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, 2019

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, 2019

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. Non-operating 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, 2019

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, 2019

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, 2019

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 expensed as incurred. 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, 2019

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, 2019, 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, 2019

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, 2019 follows:

	<i>Accounts Receivable</i>	<i>Due from Other Governments</i>	<i>Other</i>	<i>Total Receivables</i>
Governmental activities:				
General	\$ -	\$ 609,945	\$ 18,542	\$ 628,487
Tourism	-	155,601	114,934	270,535
Other governmental	286	45,519	-	45,805
Total governmental activities	<u>\$ 286</u>	<u>\$ 811,065</u>	<u>\$ 133,476</u>	<u>\$ 944,827</u>
Business-type activities:				
Electric	\$ 3,826,310	\$ 655,647	\$ -	\$ 4,481,957
Gas	307,268	-	-	307,268
Water	490,628	-	-	490,628
Sewer	236,045	-	-	236,045
Other business-type	61,626	-	-	61,626
Total business-type activities	<u>\$ 4,921,877</u>	<u>\$ 655,647</u>	<u>\$ -</u>	<u>\$ 5,577,524</u>

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2019

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:			
	2020	\$ 32,708	\$ 5,252
	2021	33,814	4,146
	2022	46,486	2,886
	2023	12,161	1,800
	2024	12,161	1,800
	2025-2027	<u>27,408</u>	<u>1,349</u>
		<u>\$ 164,738</u>	<u>\$ 17,233</u>

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

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2019

NOTE 5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended September 30, 2019, was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
Governmental Activities:				
Non-depreciable capital assets:				
Land	\$ 2,494,588	\$ -	\$ 1,010,293	\$ 1,484,295
Construction in progress	405,325	1,869,119	1,862,837	411,607
Timber rights	10,000	-	-	10,000
Total non-depreciable capital assets	<u>2,909,913</u>	<u>1,869,119</u>	<u>2,873,130</u>	<u>1,905,902</u>
Depreciable capital assets:				
Buildings	3,394,151	-	-	3,394,151
Improvements other than buildings	8,480,449	1,825,430	-	10,305,879
Machinery and equipment	4,396,555	212,605	24,769	4,584,391
Road network	2,708,666	-	-	2,708,666
Bridge network	746,935	-	-	746,935
Total depreciable capital assets	<u>19,726,756</u>	<u>2,038,035</u>	<u>24,769</u>	<u>21,740,022</u>
Less accumulated depreciation for:				
Buildings	1,264,214	94,228	-	1,358,442
Improvements other than buildings	2,415,177	345,427	-	2,760,604
Machinery and equipment	3,143,949	252,786	22,319	3,374,416
Road network	1,378,780	94,803	-	1,473,583
Bridge network	225,645	16,218	-	241,863
Total accumulated depreciation	<u>8,427,765</u>	<u>803,462</u>	<u>22,319</u>	<u>9,208,908</u>
Net depreciable capital assets	<u>11,298,991</u>	<u>1,234,573</u>	<u>2,450</u>	<u>12,531,114</u>
Governmental activities capital assets	<u>\$ 14,208,904</u>	<u>\$ 3,103,692</u>	<u>\$ 2,875,580</u>	<u>\$ 14,437,016</u>

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

General government	\$ 174,286
Public safety	144,904
Public works, including road and bridge networks	259,595
Culture and recreation	<u>224,677</u>
	<u>\$ 803,462</u>

Commitments under executed construction contracts at September 30, 2019 amounted to \$ 3,023,069.

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2019

NOTE 5. CAPITAL ASSETS (continued)

Capital asset activity for business-type activities for the year ended September 30, 2019, 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	\$ 385,318	\$ 367,762	\$ -	\$ 753,080
Construction in progress	913,355	2,865,813	-	3,779,168
Total non-depreciable capital assets	<u>1,298,673</u>	<u>3,233,575</u>	<u>-</u>	<u>4,532,248</u>
Depreciable capital assets:				
Distribution plant	65,230,021	1,460,103	205,567	66,484,557
Machinery and equipment	6,805,031	117,651	-	6,922,682
Total depreciable capital assets	<u>72,035,052</u>	<u>1,577,754</u>	<u>205,567</u>	<u>73,407,239</u>
Less accumulated depreciation for:				
Distribution plant	33,168,920	1,788,034	209,829	34,747,125
Machinery and equipment	5,289,133	392,046	-	5,681,179
Total accumulated depreciation	<u>38,458,053</u>	<u>2,180,080</u>	<u>209,829</u>	<u>40,428,304</u>
Net depreciable capital assets	<u>33,576,999</u>	<u>(602,326)</u>	<u>(4,262)</u>	<u>32,978,935</u>
Business-Type activities capital assets	<u>\$ 34,875,672</u>	<u>\$ 2,631,249</u>	<u>\$ (4,262)</u>	<u>\$ 37,511,183</u>

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

Electric	\$ 1,159,046
Gas	282,626
Water	208,799
Sewer	239,022
Other non-major proprietary funds	27,193
	<u>\$ 1,916,686</u>

NOTE 6. PAYABLES

Governmental activities payables at September 30, 2019, 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	\$ 297,794	\$ 119,806	\$ 114,807	\$ 532,407
Tourism	33,001	13,450	81	46,532
Other governmental	70,676	-	6,046	76,722
Total governmental activities	<u>\$ 401,471</u>	<u>\$ 133,256</u>	<u>\$ 120,934</u>	<u>\$ 655,661</u>

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2019

NOTE 6. PAYABLES (continued)

Business-type activity payables at September 30, 2019, were as follows:

	<i>Vendors</i>	<i>Salaries and Benefits</i>	<i>Other</i>	<i>Total</i>
Business-type activities:				
Electric	\$ 4,701,278	\$ 93,402	\$ 588,151	\$ 5,382,831
Gas	313,536	14,080	413,624	741,240
Water	-	16,390	184,858	201,248
Sewer	607,169	3,594	492,044	1,102,807
Other business-type	61,982	2,732	500	65,214
Total business-type activities	<u>\$ 5,683,965</u>	<u>\$ 130,198</u>	<u>\$ 1,679,177</u>	<u>\$ 7,493,340</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.

As of September 30, 2019, the governmental noncurrent liabilities consisted of the following:

	<i>Interest Rate</i>	<i>Maturity Date</i>	<i>Balance</i>
Capital improvement loan	3.000%	7/1/2029	195,556
Capital improvement loan	3.000%	9/1/2026	79,478
Capital improvement loan	2.000%	12/1/2028	647,194
G.O. improvement bond	3.000%	6/1/2028	815,000
Accrual for compensated absences			203,259
			<u>\$ 1,940,487</u>

As of September 30, 2019, the business-type noncurrent liabilities payable consisted of the following:

	<i>Interest Rate</i>	<i>Maturity Date</i>	<i>Balance</i>
State of MS Commission on Environmental Quality	1.750%	10/31/2032	386,131
Combined Revenue Bond R-1	2.750%	3/11/2049	1,574,414
Series 2013 Refunding Bond	2.00%-3.25%	5/1/2033	2,975,000
Series 2013 Refunding Bond Premium			19,152
G.O. Taxable Refunding Bond R-1	3.700%	5/16/2025	2,065,826
Combined Revenue Note Series 2019	4.000%	7/17/2021	518,813
Series 2018 G.O. Utility Bond	4.000%	6/1/2038	3,000,000
Series 2018 Utility Bond Premium			19,375
Accrual for compensated absences			80,352
			<u>\$ 10,639,063</u>

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2019

NOTE 7. NONCURRENT LIABILITIES (continued)

The following is a summary of changes in noncurrent liabilities for the year ended September 30, 2019:

	<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	\$ 1,276,564	\$ -	\$ 354,336	\$ 922,228	\$ 92,932
Bonds payable	893,000	-	78,000	815,000	80,000
Total governmental fund debt	2,169,564	-	432,336	1,737,228	172,932
Compensated absences	197,298	5,961	-	203,259	-
	<u>\$ 2,366,862</u>	<u>\$ 5,961</u>	<u>\$ 432,336</u>	<u>\$ 1,940,487</u>	<u>\$ 172,932</u>
Business-type activities:					
Bonds payable	\$ 7,157,774	\$ 3,000,000	\$ 542,534	\$ 9,615,240	\$ 659,338
Notes payable	412,169	518,813	26,038	904,944	26,497
Total enterprise fund debt	7,569,943	3,518,813	568,572	10,520,184	685,835
Bond premiums	20,329	19,375	1,177	38,527	-
Compensated absences	76,227	4,125	-	80,352	-
	<u>\$ 7,666,499</u>	<u>\$ 3,542,313</u>	<u>\$ 569,749</u>	<u>\$ 10,639,063</u>	<u>\$ 685,835</u>

The City's outstanding notes payable related to governmental activities are from direct borrowings and direct placements with the Mississippi Development Authority (MDA). The MDA loan programs contain a provision that, in the event of default, homestead exemption reimbursements and sales tax remittances to the City may be withheld by the Mississippi Department of Finance and Administration until the related loan is certified as current by the MDA.

The City's outstanding notes payable related to business-type activities are from direct borrowing and direct placements. The note payable to the Mississippi Department of Environmental Quality is serviced from the City's sales tax receipts and the revenue note represents interim financing to be repaid from the issuance of a revenue bond at completion of the related construction project.

The annual debt service requirements to maturity, including principal and interest, for debt included in noncurrent liabilities as of September 30, 2019 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 Payable</u></i>	
	<i><u>Principal</u></i>	<i><u>Interest</u></i>	<i><u>Principal</u></i>	<i><u>Interest</u></i>
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	90,000	14,400	101,908	4,319
2025-2029	390,000	29,700	435,398	8,258
	<u>\$ 815,000</u>	<u>\$ 127,230</u>	<u>\$ 922,228</u>	<u>\$ 38,953</u>

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2019

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>
2020	\$ 659,338	\$ 370,077	\$ 26,497	\$ 6,545
2021	681,578	289,239	545,777	47,697
2022	699,270	267,648	27,440	5,602
2023	722,428	245,392	27,924	5,118
2024	751,072	221,761	28,416	4,626
2025-2029	2,641,175	808,179	149,781	15,430
2030-2034	1,549,585	463,375	99,109	2,770
2035-2039	1,260,593	210,467	-	-
2040-2044	321,902	68,158	-	-
2045-2049	328,299	21,014	-	-
	<u>\$ 9,615,240</u>	<u>\$ 2,965,310</u>	<u>\$ 904,944</u>	<u>\$ 87,788</u>

Bonds issued by the Water & Sewer System require the System to establish a bond and interest fund, a depreciation fund, and a contingent fund. At September 30, 2019, the System has segregated funds aggregating \$ 688,698, which is consistent, in all material respects, with the covenants contained in the related revenue bond issues. The balance of these accounts is included in restricted net position on the balance sheets of the Department to which the debt is allocated.

NOTE 8. INTERFUND BALANCES

Inter-fund balances at September 30, 2019, consisted of the following:

	<i>Due From General Fund</i>
Due to Tourism Fund	\$ 114,934
Due to Gas Department	28,106
	<u>\$ 143,040</u>

NOTE 9. INTER-FUND TRANSFERS

Inter-fund transfers for the year ended September 30, 2019, 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	\$ 520,000	\$ -		\$ 24,000	\$ 645,000	\$ 1,189,000
	Nonmajor governmental	4,142	65,000		-	-	69,142
	Major proprietary	361,608	-	-	-	(361,608)	-
	Nonmajor proprietary	10,680	-	-	-	-	10,680
		<u>\$ 896,430</u>	<u>\$ 65,000</u>	<u>\$ -</u>	<u>\$ 24,000</u>	<u>\$ 283,392</u>	<u>\$ 1,268,822</u>

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2019

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 \$ 81,669 during the year ended June 30, 2019, for the Gas, Water, and Sewer Departments amounted to \$ 9,025 during the year ended September 30, 2019.

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, 2019

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, 2019, the City provided \$ 52,000 in support to the Association.

The Union County Library administers the countywide library. For the fiscal year ended September 30, 2019, the City provided \$ 43,992 in support to the Library.

Union County Development Association is involved in business development. For the fiscal year ended September 30, 2019, 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, 2019, the City provided \$ 5,200 in support to the Council.

Union County Welfare Department administers the operations of the local welfare department. For the fiscal year ended September 30, 2019, 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, 2019, 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, 2019, the City provided \$ 52,120 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, 2019

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 Ecrú 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 \$ 63,605 in principal payments and \$ 13,616 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, 2019, the City’s contribution to the district amounted to \$ 17,410 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, 2019, \$ 17,471 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, 2019

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, 2019, the City recognized revenue of \$ 25,000 related to this sale agreement with the unamortized balance of \$ 287,500 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, 2019

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. (the actuarial reduction for less than 30 years or below age 65 apply only to those who became members on or after July 1, 2011) 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 Through June 30, 2019 was 15.75 percent of earned compensation. Effective July 1, 2019 the Board of Trustees of the Public Employees' Retirement System of Mississippi amended the contribution rate to 17.4 percent of earned compensation. Contributions to the pension plan from the Departments were \$ 1,140,831 for the year ended September 30, 2019.

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

At September 30, 2019, the City reported a liability of \$ 19,460,620 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019. At June 30, 2019, the City's proportion was 0.1127%, which was an increase of .0039% from its proportion measured as of June 30, 2018.

For the year ended September 30, 2019, the City recognized pension expense of \$ 2,203,675.

At September 30, 2019, 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, 2019

NOTE 22. PENSION PLAN (continued)

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	\$ 35,050	\$ 40,430
Changes in assumptions	133,607	3,428
Net difference between projected and actual earnings on pension plan investments	-	268,383
Changes in proportion and differences between City contributions and proportionate share of contributions	1,605,535	26,874
City contributions subsequent to the measurement date	589,925	-
	<u>\$ 2,364,117</u>	<u>\$ 339,115</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,	
2020	\$ 553,654
2021	207,766
2022	309,047
2023	364,610
Thereafter	-
	<u>\$ 1,435,077</u>

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018 and a measurement date determined of June 30, 2019 using standard roll forward techniques, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.00% - 18.25%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on PubS.H-210(B) Retiree Table with the following adjustments. For males 112% of male rates from age 18 to 75 scaled down to 105% for ages 80 to 119. For females 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2018.

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2019

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, 2019, are summarized in the following table:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-term Expected Real Rate of Return</i>
Domestic equity	27.00 %	4.90 %
International equity	22.00	4.75 %
Global equity	12.00	5.00 %
Debt securities	20.00	1.50 %
Real estate	10.00	4.00 %
Private equity	8.00	6.25 %
Cash	1.00	0.25 %
	<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	\$ 26,065,403	\$ 19,460,620	\$ 14,680,709

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2019

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, 2019 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, 2019, the City abated property taxes totaling \$ 97,367. Four new agreements were entered into by the City in 2019 and twenty-three agreements were in effect as of the end of the reporting period.

NOTE 24. MAJOR CUSTOMER

During the year ended June 30, 2019 one customer accounted for approximately 11.91% of total electric operating revenue.

Required Supplementary Information

CITY OF NEW ALBANY, MISSISSIPPI
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget Positive (Negative)
	Original	Final	Basis	
Revenues:				
Taxes	\$ 1,214,400	\$ 1,214,400	\$ 1,209,030	\$ (5,370)
Licenses and permits	133,200	133,200	147,468	14,268
Intergovernmental revenue	4,232,374	4,232,374	4,124,042	(108,332)
Charges for services	218,622	218,622	222,400	3,778
Fines and forfeitures	317,000	317,000	261,229	(55,771)
Investment earnings	5,000	5,000	8,602	3,602
Miscellaneous	116,785	116,785	107,541	(9,244)
Total Revenues	<u>6,237,381</u>	<u>6,237,381</u>	<u>6,080,312</u>	<u>(157,069)</u>
Expenditures:				
General government:				
Legislative:				
Personal services	112,245	112,245	109,487	2,758
Supplies	50	50	-	50
Other services and charges	12,525	12,525	7,577	4,948
	<u>124,820</u>	<u>124,820</u>	<u>117,064</u>	<u>7,756</u>
Judicial:				
Personal services	159,183	159,183	154,884	4,299
Supplies	5,800	5,800	3,452	2,348
Other services and charges	34,250	34,250	22,126	12,124
Capital outlay	-	-	-	-
	<u>199,233</u>	<u>199,233</u>	<u>180,462</u>	<u>18,771</u>
Executive:				
Personal services	160,111	160,111	159,055	1,056
Supplies	5,600	5,600	1,959	3,641
Other services and charges	8,900	8,900	4,313	4,587
Capital outlay	-	-	-	-
	<u>174,611</u>	<u>174,611</u>	<u>165,327</u>	<u>9,284</u>
Financial:				
Personal services	139,324	139,324	137,151	2,173
Supplies	5,650	5,650	5,760	(110)
Other services and charges	96,225	96,225	75,775	20,450
	<u>241,199</u>	<u>241,199</u>	<u>218,686</u>	<u>22,513</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, 2019

	<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:				
Legal:				
Personal services	80,926	80,926	81,911	(985)
Supplies	50	50	-	50
Other services and charges	7,350	7,350	3,357	3,993
	<u>88,326</u>	<u>88,326</u>	<u>85,268</u>	<u>3,058</u>
Building Inspector:				
Personal services	121,782	121,782	118,077	3,705
Supplies	13,450	13,450	7,209	6,241
Other services and charges	19,250	19,250	12,513	6,737
	<u>154,482</u>	<u>154,482</u>	<u>137,799</u>	<u>16,683</u>
Public property:				
Personal services	88,045	88,045	88,461	(416)
Supplies	7,550	7,550	5,706	1,844
Other services and charges	100,800	100,800	113,874	(13,074)
Capital outlay	10,000	10,000	8,807	1,193
	<u>206,395</u>	<u>206,395</u>	<u>216,848</u>	<u>(10,453)</u>
Miscellaneous:				
Personal services	10,000	10,000	9,315	685
Supplies	750	750	-	750
Other services and charges	408,120	408,120	374,657	33,463
	<u>418,870</u>	<u>418,870</u>	<u>383,972</u>	<u>34,898</u>
Public Safety:				
Police:				
Personal services	1,692,211	1,692,211	1,745,753	(53,542)
Supplies	148,500	148,500	131,992	16,508
Other services and charges	158,500	158,500	140,563	17,937
Capital outlay	48,000	48,000	33,900	14,100
	<u>2,047,211</u>	<u>2,047,211</u>	<u>2,052,208</u>	<u>(4,997)</u>
Fire:				
Personal services	1,190,349	1,190,349	1,133,846	56,503
Supplies	74,725	74,725	78,041	(3,316)
Other services and charges	63,950	63,950	61,456	2,494
Capital outlay	37,000	37,000	30,762	6,238
	<u>1,366,024</u>	<u>1,366,024</u>	<u>1,304,105</u>	<u>61,919</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, 2019

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget Positive (Negative)
	Original	Final	Basis	
Expenditures - Continued:				
Streets:				
Personal services	458,851	458,851	426,791	32,060
Supplies	159,951	159,951	144,919	15,032
Other services and charges	223,800	223,800	231,343	(7,543)
Capital outlay	58,000	58,000	57,362	638
	<u>900,602</u>	<u>900,602</u>	<u>860,415</u>	<u>40,187</u>
Recreation:				
Personal services	520,708	520,708	511,794	8,914
Supplies	218,450	218,450	193,802	24,648
Other services and charges	90,250	90,250	87,036	3,214
Capital outlay	102,700	102,700	92,771	9,929
	<u>932,108</u>	<u>932,108</u>	<u>885,403</u>	<u>46,705</u>
Other Financing Sources (Uses):				
Operating transfers in (out)	614,000	614,000	139,307	(474,693)
Proceeds from the disposal of capital assets	2,500	2,500	-	(2,500)
	<u>616,500</u>	<u>616,500</u>	<u>139,307</u>	<u>(477,193)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	-	(387,938)	<u>\$ (387,938)</u>
Fund balance - beginning of year	<u>2,336,665</u>	<u>2,336,665</u>	<u>2,336,665</u>	
Fund balance - end of year	<u>\$ 2,336,665</u>	<u>\$ 2,336,665</u>	<u>\$ 1,948,727</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budgetary basis			(387,938)	
Revenue and expense accruals, net			<u>229,069</u>	
Modified accrual basis			<u>\$ (158,869)</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, 2019

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget Positive (Negative)
	Original	Final	Basis	
Revenues:				
Project donations	\$ 10,000	\$ 10,000	\$ 7,608	(2,392)
Intergovernmental revenue	849,119	849,119	768,634	(80,485)
Miscellaneous revenue	14,500	14,500	-	(14,500)
Investment earnings	200	200	2,737	2,537
Total Revenues	873,819	873,819	778,979	(94,840)
Expenditures:				
General government:				
Heritage Museum				
Personal services	107,880	107,880	106,982	898
Other services and charges	31,120	31,120	31,120	-
Capital outlay	25,000	25,000	25,000	-
	164,000	164,000	163,102	898
City Beautification:				
Other services and charges	86,712	86,712	83,962	2,750
	86,712	86,712	83,962	2,750
Cine' Restoration:				
Personal services	27,000	27,000	25,482	1,518
Other services and charges	15,000	15,000	15,000	-
Capital outlay	40,000	40,000	40,000	-
	82,000	82,000	80,482	1,518
Tourism & Marketing				
Personal services	48,131	48,131	46,670	1,461
Consumable supplies	105,200	105,200	125,825	(20,625)
	153,331	153,331	172,495	(19,164)
New Albany Main Street:				
Other services and charges	54,000	54,000	53,655	345
	54,000	54,000	53,655	345

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, 2019

	<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	178,986	178,986	172,497	6,489
Capital outlay	<u>154,790</u>	<u>154,790</u>	<u>175,114</u>	<u>(20,324)</u>
	<u>333,776</u>	<u>333,776</u>	<u>347,611</u>	<u>(13,835)</u>
 Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	 -	 -	 (122,328)	 <u>\$ (122,328)</u>
 Fund balance - beginning of year	 <u>274,807</u>	 <u>274,807</u>	 <u>274,807</u>	
 Fund balance - end of year	 <u>\$ 274,807</u>	 <u>\$ 274,807</u>	 <u>\$ 152,479</u>	
 Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budgetary basis			 (122,328)	
 Revenue and expense accruals, net			 <u>152,803</u>	
 Modified accrual basis			 <u>\$ 30,475</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 6 Fiscal Years*

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.1127%	0.1088%	0.1065%	0.1031%	0.1039%	0.1001%
City's proportionate share of the net pension liability	\$ 19,460,620	\$ 18,087,555	\$ 18,128,584	\$ 17,576,074	\$ 14,925,261	\$ 12,721,932
City's covered-employee payroll	\$ 7,243,371	\$ 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	268.6680%	258.9320%	258.8908%	269.9005%	236.9712%	205.8827%
Plan fiduciary net position as a percentage of the total pension liability	61.5884%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,140,831	\$ 1,100,162	\$ 1,102,879	\$ 1,025,649	\$ 991,989	\$ 973,226
Contributions in relation to contractually required contribution	<u>(1,140,831)</u>	<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>	<u>\$ -</u>
System's covered-employee payroll	\$ 7,243,371	\$ 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%	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, 2019

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 be amended by appropriate action of the Board of Aldermen.

NOTE 2. PENSION LIABILITY AND CONTRIBUTIONS

Changes in assumptions

- 2019
 - The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of males rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
 - The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of male rates at all ages.
 - For females, 115% of female rates at all ages.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
 - The price inflation assumption was reduced from 3.00% to 2.75%.
 - The wage inflation assumption was reduced from 3.25% to 3.00%.
 - Withdrawal rates, pre-retirement mortality 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 7% to 9%.
- 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.

CITY OF NEW ALBANY, MISSISSIPPI

Notes to the Required Supplementary Information September 30, 2019

Changes in assumptions (continued)

- 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 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 size or composition of the population covered by the benefit terms

None identified during periods presented in the required supplementary information

Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Combining Fund Statements

CITY OF NEW ALBANY, MISSISSIPPI
Combining Balance Sheets - All General Funds
September 30, 2019

	General Fund	Clearing Accounts	CDBG Grants	Water & Sewer Improvement Fund	Street Improvement Fund	HUD Programs	Health Reimburse- ment Account	Total General Funds
ASSETS								
Cash	\$ 724,579	\$ 83,399	\$ 50,827	\$ 129,730	\$ 629,000	\$ 60	\$ 4,631	\$ 1,622,226
Investments	1,588,859	-	-	646,106	-	-	-	2,234,965
Prepaid expenses	10,465	-	-	-	-	-	-	10,465
Accounts receivable	611,718	264	832	788	14,885	-	-	628,487
	<u>\$ 2,935,621</u>	<u>\$ 83,663</u>	<u>\$ 51,659</u>	<u>\$ 776,624</u>	<u>\$ 643,885</u>	<u>\$ 60</u>	<u>\$ 4,631</u>	<u>\$ 4,496,143</u>
LIABILITIES								
Accounts payable and accrued expenses	\$ 409,940	\$ 82,861	\$ -	\$ 1	\$ 39,605	\$ -	\$ -	\$ 532,407
	<u>409,940</u>	<u>82,861</u>	<u>-</u>	<u>1</u>	<u>39,605</u>	<u>-</u>	<u>-</u>	<u>532,407</u>
DEFERRED INFLOWS OF RESOURCES								
Advance payments received	82,150	-	-	-	-	-	-	82,150
FUND BALANCES								
Restricted	-	-	-	-	-	-	-	-
Committed	500,000	-	-	-	-	-	-	500,000
Assigned	-	-	51,659	776,623	604,280	60	4,631	1,437,253
Unassigned	1,943,531	802	-	-	-	-	-	1,944,333
	<u>2,443,531</u>	<u>802</u>	<u>51,659</u>	<u>776,623</u>	<u>604,280</u>	<u>60</u>	<u>4,631</u>	<u>3,881,586</u>
	<u>\$ 2,935,621</u>	<u>\$ 83,663</u>	<u>\$ 51,659</u>	<u>\$ 776,624</u>	<u>\$ 643,885</u>	<u>\$ 60</u>	<u>\$ 4,631</u>	<u>\$ 4,496,143</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, 2019

	General Fund	Clearing Accounts	CDBG Grants	Water & Sewer Improvement Fund	Street Improvement Fund	HUD Programs	Health Reimburse- ment Account	Total General Funds
Revenues:								
Taxes	\$ 1,253,782	\$ -	\$ -	\$ -	\$ 454,268	\$ -	\$ -	\$ 1,708,050
Licenses and permits	154,362	-	-	-	-	-	-	154,362
Intergovernmental revenue	4,940,897	-	-	-	297,623	-	-	5,238,520
Charges for services	227,034	-	-	-	-	-	-	227,034
Fines and forfeitures	250,837	-	-	-	-	-	-	250,837
Investment earnings	11,902	455	404	2,723	6,612	-	55	22,151
Miscellaneous	139,136	156	-	-	-	-	-	139,292
Total Revenues	<u>6,977,950</u>	<u>611</u>	<u>404</u>	<u>2,723</u>	<u>758,503</u>	<u>-</u>	<u>55</u>	<u>7,740,246</u>
Expenditures:								
General government	1,501,563	-	-	-	113,454	-	18,551	1,633,568
Public safety	3,302,005	-	-	-	-	-	-	3,302,005
Public works	819,321	-	-	-	-	-	-	819,321
Culture and recreation	797,164	-	-	-	-	-	-	797,164
Capital outlay	223,601	-	-	-	1,416,026	-	-	1,639,627
Total Expenditures	<u>6,643,654</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,529,480</u>	<u>-</u>	<u>18,551</u>	<u>8,191,685</u>
Excess (Deficiency) of Revenues over Expenditures	<u>334,296</u>	<u>611</u>	<u>404</u>	<u>2,723</u>	<u>(770,977)</u>	<u>-</u>	<u>(18,496)</u>	<u>(451,439)</u>
Other Financing Sources (Uses):								
Transfers in	669,000	-	-	-	500,000	-	20,000	1,189,000
Transfers out	(896,430)	-	-	-	-	-	-	(896,430)
Total Other Financing Sources (Uses)	<u>(227,430)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>20,000</u>	<u>292,570</u>
Net Change in Fund Balances	106,866	611	404	2,723	(270,977)	-	1,504	(158,869)
Fund balances - beginning	2,336,665	191	51,255	773,900	875,257	60	3,127	4,040,455
Fund balances - ending	<u>\$ 2,443,531</u>	<u>\$ 802</u>	<u>\$ 51,659</u>	<u>\$ 776,623</u>	<u>\$ 604,280</u>	<u>\$ 60</u>	<u>\$ 4,631</u>	<u>\$ 3,881,586</u>

CITY OF NEW ALBANY, MISSISSIPPI
Combining Balance Sheets - Nonmajor Governmental Funds
September 30, 2019

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	
ASSETS											
Cash	\$ 737,097	\$ 134,747	\$ 12	\$ 7,113	\$ 2,291	\$ 1,837	\$ 31	\$ 5,630	\$ 4,066	\$ 18,492	\$ 911,316
Accounts receivable	2,199	743	-	-	-	-	-	-	-	-	2,942
Lease receivable	-	-	-	-	-	-	-	-	-	181,971	181,971
	<u>\$ 739,296</u>	<u>\$ 135,490</u>	<u>\$ 12</u>	<u>\$ 7,113</u>	<u>\$ 2,291</u>	<u>\$ 1,837</u>	<u>\$ 31</u>	<u>\$ 5,630</u>	<u>\$ 4,066</u>	<u>\$ 200,463</u>	<u>\$ 1,096,229</u>
LIABILITIES											
Accounts payable and accrued expenses	\$ 626	\$ 9,060	\$ -	\$ 35	\$ (132)	\$ (1)	\$ -	\$ -	\$ -	\$ -	\$ 9,588
DEFERRED INFLOWS OF RESOURCES											
Lease principal	-	-	-	-	-	-	-	-	-	165,337	165,337
Lease interest	-	-	-	-	-	-	-	-	-	16,338	16,338
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,675</u>	<u>181,675</u>
FUND BALANCE											
Restricted	-	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-	-
Assigned	738,670	126,430	12	7,078	2,423	1,838	31	5,630	4,066	18,788	904,966
Unassigned	-	-	-	-	-	-	-	-	-	-	-
	<u>738,670</u>	<u>126,430</u>	<u>12</u>	<u>7,078</u>	<u>2,423</u>	<u>1,838</u>	<u>31</u>	<u>5,630</u>	<u>4,066</u>	<u>18,788</u>	<u>904,966</u>
	<u>\$ 739,296</u>	<u>\$ 135,490</u>	<u>\$ 12</u>	<u>\$ 7,113</u>	<u>\$ 2,291</u>	<u>\$ 1,837</u>	<u>\$ 31</u>	<u>\$ 5,630</u>	<u>\$ 4,066</u>	<u>\$ 200,463</u>	<u>\$ 1,096,229</u>

CITY OF NEW ALBANY, MISSISSIPPI

Combining Balance Sheets - Nonmajor Governmental Funds (Continued)

September 30, 2019

	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	\$ 501	\$ 501	\$ 33,285	\$ 5,220	\$ 66,600	\$ 3,167	\$ 3,144	\$ 111,416	\$ 1,023,233
Accounts receivable	286	286	-	2,500	-	40,077	-	42,577	45,805
Lease receivable	-	-	-	-	-	-	-	-	181,971
	<u>\$ 787</u>	<u>\$ 787</u>	<u>\$ 33,285</u>	<u>\$ 7,720</u>	<u>\$ 66,600</u>	<u>\$ 43,244</u>	<u>\$ 3,144</u>	<u>\$ 153,993</u>	<u>\$ 1,251,009</u>
LIABILITIES									
Accounts payable and accrued expenses	\$ -	\$ -	\$ (1)	\$ 2,500	\$ 24,574	\$ 40,061	\$ -	\$ 67,134	\$ 76,722
DEFERRED INFLOWS OF RESOURCES									
Lease principal	-	-	-	-	-	-	-	-	165,337
Lease interest	-	-	-	-	-	-	-	-	16,338
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,675</u>
FUND BALANCE									
Restricted	-	-	-	5,220	-	-	-	5,220	5,220
Committed	-	-	-	-	-	-	-	-	-
Assigned	787	787	33,286	-	42,026	3,183	3,144	81,639	987,392
Unassigned	-	-	-	-	-	-	-	-	-
	<u>787</u>	<u>787</u>	<u>33,286</u>	<u>5,220</u>	<u>42,026</u>	<u>3,183</u>	<u>3,144</u>	<u>86,859</u>	<u>992,612</u>
	<u>\$ 787</u>	<u>\$ 787</u>	<u>\$ 33,285</u>	<u>\$ 7,720</u>	<u>\$ 66,600</u>	<u>\$ 43,244</u>	<u>\$ 3,144</u>	<u>\$ 153,993</u>	<u>\$ 1,251,009</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, 2019

	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	\$ 88,225	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,225
Intergovernmental revenue	51,135	84,067	-	-	-	-	-	-	-	-	135,202
Charges for services	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	6,580	-	-	-	-	-	-	-	-	6,580
Investment earnings	5,630	971	-	55	-	15	-	-	-	6,375	13,046
Miscellaneous	-	148	-	359	271	-	-	3,469	2,833	-	7,080
Total Revenues	144,990	91,766	-	414	271	15	-	3,469	2,833	6,375	250,133
Expenditures:											
General government	-	-	-	-	-	-	-	-	-	-	-
Public safety	21,515	50,250	-	-	-	-	-	-	-	-	71,765
Culture and recreation	-	-	-	-	-	-	-	3,146	23	-	3,169
Debt service:											
Principal	-	-	-	-	-	-	-	-	-	27,331	27,331
Interest and other charges	-	-	-	-	-	-	-	-	-	8,739	8,739
Capital outlay	57,505	2,833	-	-	-	-	-	-	-	-	60,338
Total Expenditures	79,020	53,083	-	-	-	-	-	3,146	23	36,070	171,342
Excess (Deficiency) of Revenues over Expenditures	65,970	38,683	-	414	271	15	-	323	2,810	(29,695)	78,791
Other Financing Sources (Uses):											
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Lease principal payments	-	-	-	-	-	-	-	-	-	31,586	31,586
Total Other Sources (Uses)	-	-	-	-	-	-	-	-	-	31,586	31,586
Net Change in Fund Balances	65,970	38,683	-	414	271	15	-	323	2,810	1,891	110,377
Fund balances - beginning	672,700	87,747	12	6,664	2,152	1,823	31	5,307	1,256	16,897	794,589
Fund balances - ending	\$ 738,670	\$ 126,430	\$ 12	\$ 7,078	\$ 2,423	\$ 1,838	\$ 31	\$ 5,630	\$ 4,066	\$ 18,788	\$ 904,966

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, 2019

	<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>Funds</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>Funds</u>	<u>Funds</u>	<u>Grant</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
Revenues:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,225
Intergovernmental revenue	-	-	-	10,000	-	410,570	-	420,570	555,772
Charges for services	-	-	-	-	7,800	-	-	7,800	7,800
Fines and forfeitures	-	-	-	-	-	-	-	-	6,580
Investment earnings	252	252	548	-	409	126	25	1,108	14,406
Miscellaneous	-	-	-	112,331	2,540	-	-	114,871	121,951
Total Revenues	252	252	548	122,331	10,749	410,696	25	544,349	794,734
Expenditures:									
General government	-	-	-	10,000	-	-	-	10,000	10,000
Public safety	-	-	-	-	-	-	-	-	71,765
Culture and recreation	-	-	55,737	-	21,429	-	-	77,166	80,335
Principal	-	-	-	263,400	-	-	-	263,400	290,731
Interest and other charges	-	-	-	-	-	-	-	-	8,739
Capital outlay	-	-	6,475	-	53,975	415,686	1	476,137	536,475
Total Expenditures	-	-	62,212	273,400	75,404	415,686	1	826,703	998,045
Excess (Deficiency) of Revenues									
over Expenditures	252	252	(61,664)	(151,069)	(64,655)	(4,990)	24	(282,354)	(203,311)
Other Financing Sources (Uses):									
Transfers in	-	-	10,000	-	55,000	4,142	-	69,142	69,142
Lease principal payments	-	-	-	-	-	-	-	-	31,586
Total Other Sources (Uses)	-	-	10,000	-	55,000	4,142	-	69,142	100,728
Net Change in Fund Balances	252	252	(51,664)	(151,069)	(9,655)	(848)	24	(213,212)	(102,583)
Fund balances - beginning	535	535	84,950	156,289	51,681	4,031	3,120	300,071	1,095,195
Fund balances - ending	\$ 787	\$ 787	\$ 33,286	\$ 5,220	\$ 42,026	\$ 3,183	\$ 3,144	\$ 86,859	\$ 992,612

CITY OF NEW ALBANY, MISSISSIPPI

Combining Statement of Fund Net Position - Nonmajor Proprietary Funds

September 30, 2019

	Waste Disposal	New Albany/ Union County Airport	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 1,015,171	\$ 15,250	\$ 1,030,421
Accounts receivable	58,272	3,354	61,626
Total current assets	1,073,443	18,604	1,092,047
Noncurrent Assets			
Capital assets:			
Machinery and equipment	1,028,307	31,991	1,060,298
Less: accumulated depreciation	(982,503)	(22,140)	(1,004,643)
Total non-current assets	45,804	9,851	55,655
DEFERRED OUTFLOWS			
Pension plan	67,984	-	67,984
Total assets and Deferred Outflows	1,187,231	28,455	1,215,686
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued expenses	63,465	1,749	65,214
Total current liabilities	63,465	1,749	65,214
Noncurrent liabilities			
Pension liability	687,813	-	687,813
Total noncurrent liabilities	687,813	-	687,813
DEFERRED INFLOWS			
Pension plan	8,265	-	8,265
NET POSITION			
Invested in capital assets, net of related debt	45,804	9,851	55,655
Unrestricted	381,884	16,855	398,739
Total net position	\$ 427,688	\$ 26,706	\$ 454,394

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, 2019

	Waste Disposal	New Albany/ Union County Airport	Total Nonmajor Enterprise Funds
Operating revenues:			
Charges for services	\$ 792,480	\$ 24,085	\$ 816,565
Other	<u>34,052</u>	<u>36</u>	<u>34,088</u>
Total operating revenues	<u>826,532</u>	<u>24,121</u>	<u>850,653</u>
Operating expenses:			
Depreciation and amortization	25,369	1,824	27,193
Operation and maintenance	<u>813,214</u>	<u>57,358</u>	<u>870,572</u>
Total operating expenses	<u>838,583</u>	<u>59,182</u>	<u>897,765</u>
Operating income (loss)	<u>(12,051)</u>	<u>(35,061)</u>	<u>(47,112)</u>
Non-operating revenues (expenses)			
Interest income	7,440	97	7,537
Property taxes	63,932	-	63,932
Intergovernmental revenue	<u>2,478</u>	<u>10,668</u>	<u>13,146</u>
Total nonoperating revenues (expenses)	<u>73,850</u>	<u>10,765</u>	<u>84,615</u>
Income (loss) before operating transfers	61,799	(24,296)	37,503
Transfers in (out)	<u>-</u>	<u>10,680</u>	<u>10,680</u>
Change in net position	61,799	(13,616)	48,183
Net position, beginning	<u>365,889</u>	<u>40,322</u>	<u>406,211</u>
Net position, ending	<u><u>\$ 427,688</u></u>	<u><u>\$ 26,706</u></u>	<u><u>\$ 454,394</u></u>

CITY OF NEW ALBANY, MISSISSIPPI

Combining Statement of Cash Flows - Nonmajor Proprietary Funds

For the Year Ended September 30, 2019

	Waste Disposal	New Albany/ Union County Airport	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Cash received from customers	\$ 831,582	\$ 33,054	\$ 864,636
Cash payments to suppliers for goods and services	(1,195,036)	(57,719)	(1,252,755)
Cash payments to employees	398,745	-	398,745
Net cash provided by (used in) operating activities	<u>35,291</u>	<u>(24,665)</u>	<u>10,626</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	66,410	10,668	77,078
Net cash provided by (used in) capital and related financing activities	<u>66,410</u>	<u>10,668</u>	<u>77,078</u>
Cash flows from investing activities:			
Interest on investments	7,440	97	7,537
Net change in cash	109,141	(3,220)	105,921
Cash and cash equivalents at beginning of year	906,030	18,470	924,500
Cash and cash equivalents at end of year	<u>\$ 1,015,171</u>	<u>\$ 15,250</u>	<u>\$ 1,030,421</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (12,051)	\$ (35,061)	\$ (47,112)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	25,369	1,824	27,193
Decrease (increase) in:			
Accounts receivable	5,050	8,933	13,983
Increase (decrease) in:			
Accounts payable and accrued expenses	(7,402)	(361)	(7,763)
Pension liability	58,350	-	58,350
Deferred inflows/outflows	<u>(34,025)</u>	<u>-</u>	<u>(34,025)</u>
Net cash provided by (used in) operating activities	<u>\$ 35,291</u>	<u>\$ (24,665)</u>	<u>\$ 10,626</u>

CITY OF NEW ALBANY, MISSISSIPPI
Combining Statement of Fiduciary Net Position
September 30, 2019

	Unemployment Tax	Flexible Spending	Total Fiduciary Funds
Assets			
Cash	\$ 2,229	\$ 7,152	\$ 9,381
Accounts and interest receivable	-	-	-
Investments	<u>15,242</u>	<u>-</u>	<u>15,242</u>
Total Assets	<u>\$ 17,471</u>	<u>\$ 7,152</u>	<u>\$ 24,623</u>
Liabilities			
Accounts payable and accrued expenses	<u>17,471</u>	<u>7,152</u>	<u>24,623</u>
Total Liabilities	<u>\$ 17,471</u>	<u>\$ 7,152</u>	<u>\$ 24,623</u>

Other Supplemental Information

CITY OF NEW ALBANY, MISSISSIPPI

Schedule of Surety Bonds for Municipal Officials

September 30, 2019

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	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
Natalie Moody	Parks Dept.	RLI Insurance Company	\$ 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
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
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
Joe McDonald	Policeman	RLI Insurance Company	\$ 50,000
Jonathan Martin	Policeman	RLI Insurance Company	\$ 50,000
Stephen Nolen	Policeman	RLI Insurance Company	\$ 50,000
Brandon Pannell	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
Kevin Cooper	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, 2019

<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	\$ 3,624
Terminal Building		
Grant ID: 3-28-0053-019-2018	20.106	200,216
Acquire Land Easements		
Grant ID: 3-28-0053-018-2017	20.106	(921)
Pass-through Grantor: Mississippi Department of Public Safety		
Program Title: 402 Occupant Protection FY19		
Subgrant ID: OP-2019-OP-22-14		
Grant ID: 402 Occupant Protection FY19	20.600	14,001
Pass-through Grantor: Mississippi Department of Public Safety		
Program Title: 154 Alcohol FY19		
Subgrant ID: 154AL-2019-ST-22-41		
Grant ID: 402 Occupant Protection FY19	20.607	11,992
<i>Total U.S. Department of Transportation</i>		<u>\$ 228,912</u>
Federal Grantor: Appalachian Regional Commission		
Pass-through Grantor: Mississippi Development Authority		
Program Title: Appalachian Regional Development		
Terminal Building		
Grant ID: MS-19013	23.002	\$ 189,142
Widening Coulter Drive		
Grant ID: ARC 2017	23.002	278,728
<i>Total Appalachian Regional Commission</i>		<u>\$ 467,870</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, 2019

<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	\$ 10,000
Pass-through Grantor: Mississippi Development Authority		
Program Title: Community Development Block Grants CDBG 2016		
Grant ID: 1133-16-274-PF-01	14.228	<u>361,608</u>
<i>Total U.S. Department of Housing and Urban Development</i>		<u>\$ 371,608</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>760,952</u>
Total expenditures of federal awards		<u>\$ 1,829,342</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, 2019

NOTE A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City under programs of the federal government for the year ended September 30, 2019. 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 City, it is not intended and does not present the financial position, changes in net assets, or cash flows of the City.

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

NOTE D. LOAN AND LOAN GUARANTEE PROGRAMS

Expenditures reflected in the CFDA 10.760 – Water and Waste Disposal for Rural Communities program includes disbursements made from bank interim financing to be repaid by USDA revenue bonds amounting to \$ 518,813. At September 30, 2019, outstanding loan balances for the program, including the interim financing totaled \$ 2,093,227.

CITY OF NEW ALBANY, MISSISSIPPI

**Schedule of Findings and Questioned Costs
For the year ended September 30, 2019**

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>
10.760	Water and Waste Disposal Systems for Rural Communities

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, 2019

Section II-Financial Statement Findings

<u>Finding Number</u>	<u>Material Weakness in Internal Control and Related Recommendations</u>
2019-001	<p>Condition: Duplicate PERS payments were posted to the payroll clearing bank account during the year, and the payroll clearing bank accounts was not appropriately reconciled during the year to detect and correct the misstatements in the ordinary course of business.</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: Automated transactions to record the transfer of amounts due to PERS are made through the payroll system on a monthly basis. The City also manually recorded the monthly transfer of amounts due to PERS, duplicating the recorded entries.</p> <p>Effect: The payroll clearing and state retirement payable accounts were material understated throughout the year and at year end.</p> <p>Recommendation: The payroll clearing account should be reconciled to the recorded book balance at month end with any reconciling items appropriately researched and resolved in a timely fashion.</p> <p>Management's Response: The clerk will insure that the account is appropriately reconciled at month end.</p>
<u>Finding Number</u>	<u>Significant Deficiencies in Internal Control and Related Recommendations</u>
2019-002	<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, 2019

<u>Finding Number</u>	<u>Significant Deficiencies in Internal Control and Related Recommendations</u>
2019-003	<p>Condition: Certain mispostings in the Gas Department occurred and remained undetected during the course of the year.</p> <p>Criteria: Account reconciliations should reconcile the ending balance and not just the debit or credit activity posting to that balance during the course of the month.</p> <p>Cause: Personnel reconciling certain account balances was reconciling debit activity to certain accounts during the month as opposed to reconciling the ending balance.</p> <p>Effect: Certain credits posted in error to certain accounts in the Gas Department that remained uncorrected until detected and corrected by audit adjustment.</p> <p>Recommendation: Reconciliations should be performed on ending account balances rather than debit or credit activity occurring within an account during the period.</p> <p>Management's Response: Management concurs with the finding and will implement recommended reconciliation procedures prospectively.</p>
2019-004	<p>Condition: Certain bills eligible to be paid out of Sewer Department expansion project loan or grant funds were not appropriately identified as eligible costs.</p> <p>Criteria: All costs incurred that are eligible to be repaid by grant or loan funding associated with the expansion project should be appropriately identified and coded to ensure that project costs are completely captured.</p> <p>Cause: Inconsistent bill coding for bills paid through regular accounts payable by the New Albany Electric Department.</p> <p>Effect: Approximately \$15,500 of costs paid through accounts payable (rather than through the special construction account) were eligible to be repaid to the Sewer Department by grant or loan funds associated with the expansion project.</p> <p>Recommendation: A system should be developed to ensure that all project costs are appropriately captured and coded to ensure that eligible costs are financed in the manner intended by management.</p> <p>Management's Response: Management concurs with the finding and will implement recommended procedures prospectively.</p>

CITY OF NEW ALBANY, MISSISSIPPI

Schedule of Findings and Questioned Costs For the year ended September 30, 2019

<u>Finding Number</u>	<u>Significant Deficiencies in Internal Control and Related Recommendations</u>
2019-005	<p>Condition: Certain costs related to the Sewer Department expansion project loan or grant funds did not agree to the underlying invoice. Consequently, amounts charged to the loan or grant funds did not agree to the underlying invoice.</p> <p>Criteria: Costs charged to the Sewer Department expansion project loan or grant funds should reconcile to the vendor invoices.</p> <p>Cause: Certain costs charged against the loan or grant funds for the expansion project were charged from the parts order acknowledgement form as opposed to the vendor invoice.</p> <p>Effect: Freight charges included on the invoice but excluded from the parts order acknowledgement form were erroneously excluded from loan draws on the expansion project. The freight charges that failed to be reimbursed out of loan funds amounted to \$ 173.69.</p> <p>Recommendation: Amounts charged to the project and financed by loan or grant funds should be reconciled to the underlying invoices.</p> <p>Management's Response: Management concurs with the finding and will implement recommended reconciliation procedures prospectively.</p>

Section III-Federal Award Findings and Questioned Costs

<u>Finding Reference Number</u>	<u>Other Matters</u>
	<u>None Reported</u>



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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, 2019 and have issued our report thereon dated February 21, 2020. 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 21, 2020



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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 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, 2019, 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 21, 2020.

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 have not been 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 reference number 2019-001 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 deficiencies described in finding reference numbers 2019-002 through 2019-005 in the accompanying schedule of findings and questioned costs to be a significant deficiencies.

Compliance and Other Matters

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

mination 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 21, 2020



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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, 2019. 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, 2019.

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

Tupelo, Mississippi
February 21, 2020