

OFFICE OF THE STATE AUDITOR REPORT NOTE:

Section 7-7-211, Mississippi Code Annotated (1972) gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

FINANCIAL REPORT

**CITY OF NEW ALBANY,
MISSISSIPPI**

September 30, 2022

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 Audit of the Financial Statements

Opinions

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 the City of New Albany, Mississippi, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of New Albany, Mississippi and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of New Albany, Mississippi's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial

likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of New Albany, Mississippi's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of New Albany, Mississippi's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 7 through 15 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 is the responsibility of management and, 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.

Supplementary 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 accompanying combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the schedule of investments, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 investments, 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.

Emphasis of Matter - Prior Period Adjustment

As described in Note 25 to the financial statements, the City of New Albany has adjusted the prior year financial statements related to unexpended Coronavirus Relief Funds. Our opinion is not modified with respect to this matter.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2023, on our consideration of the City of New Albany, Mississippi'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 of New Albany, Mississippi'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, Mississippi's internal control over financial reporting and compliance.

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

Tupelo, Mississippi
February 28, 2023

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 statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2022. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which begin on page 15.

FINANCIAL HIGHLIGHTS

- The assets of the City of New Albany, Mississippi exceeded its liabilities at September 30, 2022 by \$50,464,325 (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 \$979,311 is restricted for specific purposes. Unrestricted net position decreased by \$944,220, restricted net position decreased by \$1,157,758, and invested in capital assets increased by \$4,957,994.
- As of the close of the current fiscal year, the City of New Albany's proprietary funds reported combined ending net position of \$37,523,849. 98.1% of this total amount or \$36,823,799 is invested in capital assets, 0.1% or \$40,903 is unrestricted, and the remainder of 1.8% or \$659,147 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 \$8,451,965. The unassigned part of the fund balance, which is available for use within the City's policies, is \$1,853,285, the assigned part, which is intended for use for specific purposes, is \$5,778,516, the committed part, which has constraints imposed by Board action, is \$500,000 and the restricted part, which has outside constraints, is \$320,164.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$1,853,285.

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

CITY OF NEW ALBANY, MISSISSIPPI

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, solid waste and airport systems are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on page 12. The fund financial statements begin on page 18 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the board established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds—government and proprietary—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.

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 25-45 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 \$50,464,325 as of September 30, 2022.

CITY OF NEW ALBANY, MISSISSIPPI

The largest portion of the City's net position (102.1%) reflects its investments in capital assets (e.g., land, timber rights, building, machinery and equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending, and with exception of business-type assets, do not generate direct revenue for the City. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF NEW ALBANY'S NET POSITION

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and Other Assets	\$ 12,715,859	\$ 10,930,318	\$31,631,927	\$32,641,018	\$ 44,347,786	\$ 43,571,336
Capital Assets	16,793,423	15,047,540	56,127,564	52,862,613	72,920,987	67,910,153
Total Assets	<u>\$ 29,509,282</u>	<u>\$ 25,977,858</u>	<u>\$87,759,491</u>	<u>\$85,503,631</u>	<u>\$117,268,773</u>	<u>\$111,481,489</u>
Deferred Outflows of Resources	\$ 1,595,964	\$ 1,628,094	\$ 2,577,586	\$ 2,487,872	\$ 4,173,550	\$ 4,115,966
Long-term Liabilities	\$ 13,729,880	\$ 10,744,821	\$38,997,560	\$40,955,458	\$ 52,727,440	\$ 51,700,279
Other Liabilities	2,770,435	869,605	12,066,406	10,495,245	14,836,841	11,364,850
Total Liabilities	<u>\$ 16,500,315</u>	<u>\$ 11,614,426</u>	<u>\$51,063,966</u>	<u>\$51,450,703</u>	<u>\$ 67,564,281</u>	<u>\$ 63,065,129</u>
Deferred Inflows of Resources	\$ 1,664,455	\$ 3,895,532	\$ 1,749,262	\$ 1,028,485	\$ 3,413,717	\$ 4,924,017
Net Position						
Invested in capital assets, net of related debt	\$ 14,689,846	\$ 12,903,023	\$36,823,799	\$33,652,628	\$ 51,513,645	\$ 46,555,651
Restricted	320,164	1,195,580	659,147	941,489	979,311	2,137,069
Unrestricted	(2,069,534)	(2,002,609)	40,903	918,198	(2,028,631)	(1,084,411)
Total Net Position	<u>\$ 12,940,476</u>	<u>\$ 12,095,994</u>	<u>\$37,523,849</u>	<u>\$35,512,315</u>	<u>\$ 50,464,325</u>	<u>\$ 47,608,309</u>

An additional portion of the City's net position (1.9%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position (\$2,028,631) may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2022, the City can 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 \$2,856,016.

Governmental Activities: Governmental activities increased the net position by \$844,482 or 30.0% of the total gain in net position. Invested in capital assets, net of related debt increased by \$1,786,823 primarily due to improvements and decreases in related debt. Unrestricted net position decreased by \$66,925 primarily due to increases in the pension liability. Restricted net assets decreased \$875,416 primarily due to capital projects completion.

Total revenues for governmental activities increased from the previous year by \$1,061,974. General revenues had a net increase of 3.1%, primarily due to increases in sales tax and special city sales tax collections. Program revenues had a 51.4% net increase, which was primarily due to increased capital grants and contributions.

Total expenses for governmental activities increased \$1,848,766 or 20.7%. This increase was related to increases in General Government, Public Safety and Culture and Recreation.

CITY OF NEW ALBANY, MISSISSIPPI

- General Government increased \$955,477 or 33.5%. Increased costs in General Government are due primarily to personal services and capital improvements.
- Public Safety increased \$496,514 or 13.3%. Increased costs in Public Safety are due primarily to personal services and fuel.
- Culture and Recreation increased \$251,394 or 23.1%. Increased costs in Culture and Recreation are due primarily in personal services and concessions and other supplies.

Business-type Activities: Net Position from business-type activities increased \$2,011,534 or 5.7% from \$35,512,315 to \$37,523,849 accounting for 70.0% of the total increase in net position. Invested in capital assets, net of related debt increased by \$3,171,171 primarily due to improvements and construction in progress. Unrestricted net position increased by \$877,295 primarily due to decreases in net assets restricted for debt services, which decreased \$282,342.

Total revenues for business-type activities increased \$1,320,775 or 3.1%. This increase was primarily due to increases in charges for services of \$1,116,017 in the Gas Department and \$2,849,510 in the Electric Department and decreases in capital grants and contributions of \$3,341,470 in the Sewer Department.

Total expenses for the business-type activities increased \$3,736,614 or 9.8%. This increase was primarily due to an increase of \$1,985,374 in the Electric Department, an increase of \$1,273,358 in the Gas Department and an increase of \$307,243 in the Water Department.

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

The following table provides a summary of the City's Operations for the year-end September 30, 2022 with comparative totals for year ended September 30, 2021.

CITY OF NEW ALBANY, MISSISSIPPI

CITY OF NEW ALBANY'S CHANGES IN NET POSITION

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>		<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>		<u>TOTAL</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 781,004	\$ 666,807	\$ 43,142,105	\$ 38,925,097	\$ 43,923,109	\$ 39,591,904
Operating grants and contributions	710,625	872,356	13,494	30,671	724,119	903,027
Capital grants and contributions	2,635,865	1,186,451	916,082	4,257,552	3,551,947	5,444,003
General Revenues:					-	-
Property Taxes	1,941,315	1,922,510	72,330	68,280	2,013,645	1,990,790
Sales Tax	4,297,965	4,126,596	-	-	4,297,965	4,126,596
Special City Sales Tax	1,070,976	1,027,533	-	-	1,070,976	1,027,533
Franchise Taxes	43,737	45,622	-	-	43,737	45,622
Investment Earnings	42,227	48,816	16,566	22,907	58,793	71,723
Gain (loss) on asset disposals	(115,925)	(15,581)	-	-	(115,925)	(15,581)
Transfers	195,615	660,320	(195,615)	(660,320)	-	-
Total Revenues	\$ 11,603,404	\$ 10,541,430	\$ 43,964,962	\$ 42,644,187	\$ 55,568,366	\$ 53,185,617
Expenses:						
General Government	\$ 3,806,480	\$ 2,851,003	\$ -	\$ -	\$ 3,806,480	\$ 2,851,003
Depreciation expense not included in other functions	278,507	275,974	-	-	278,507	275,974
Public Safety	4,221,745	3,725,231	-	-	4,221,745	3,725,231
Public Works	1,060,152	915,307	-	-	1,060,152	915,307
Culture and Recreation	1,338,931	1,087,537	-	-	1,338,931	1,087,537
Interest on long-term debt	53,107	55,104	-	-	53,107	55,104
Water	-	-	1,749,869	1,442,626	1,749,869	1,442,626
Sewer	-	-	1,437,401	1,406,034	1,437,401	1,406,034
Gas	-	-	5,566,261	4,292,903	5,566,261	4,292,903
Electric	-	-	32,156,650	30,171,276	32,156,650	30,171,276
Waste Disposal	-	-	952,582	844,631	952,582	844,631
Airport	-	-	90,659	59,338	90,659	59,338
Total expenses	\$ 10,758,922	\$ 8,910,156	\$ 41,953,422	\$ 38,216,808	\$ 52,712,344	\$ 47,126,964
Increase in net assets	\$ 844,482	\$ 1,631,274	\$ 2,011,540	\$ 4,427,379	\$ 2,856,022	\$ 6,058,653
Net position-October 1	12,095,994	10,464,720	35,512,309	31,084,930	47,608,303	41,549,650
Net Position-September 30	\$ 12,940,476	\$ 12,095,994	\$ 37,523,849	\$ 35,512,309	\$ 50,464,325	\$ 47,608,303

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 \$8,451,965. Approximately 21.9% of this total amount (\$1,853,285) constitutes unassigned fund balance. The remainder of the fund balance is restricted (\$320,164), committed (\$500,000) or assigned (\$5,778,516).

General Fund Budgetary Highlights – In the general fund, the City budgeted for an increase of \$65,568 in the fund balance on a budget basis. Due to actual expenses being less than budgeted, the actual fund balance increased for fiscal year 2022 by \$263,476.

CITY OF NEW ALBANY, MISSISSIPPI

The City revised the original appropriations approved by the City Council. Overall, these changes resulted in an increase in revenues of \$253,899 and an increase in expenditures of \$188,331.

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 - (\$335,796), Sewer System - (\$501,219), Gas System - \$724,979, Electric Department - \$(26,840), Solid Waste - \$142,998, and NA/UC Airport – \$36,781. The total of these unrestricted net assets is \$40,903. Changes in net position for enterprise funds in 2022 were as follows: Water – (\$264,450), Sewer – \$1,419,009, Gas System – (\$185,939), Electric Department – \$1,128,062, Solid Waste – (\$81,489), and NA/UC Airport – \$(3,653). The total change in unrestricted net assets was \$2,011,540.

CAPITAL ASSETS

The City of New Albany’s investment in capital assets for its governmental and business-type activities as of September 30, 2022, amounts to \$72,012,173 (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 14.2% (8.6% increase in governmental activities and 5.6% increase in business-type activities).

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

- Completed citywide LED street light project.
- Newly renovated administrative building for NALG&W nears completion.
- New wastewater plant began operation.

GOVERNMENTAL FUND ACTIVITIES

Asset Classification	Balance 10/1/2021	Additions	Deletions	Balance 9/30/2022
Capital Asset Values				
Land	\$ 1,489,295	\$ 805,000		\$ 2,294,295
Construction in Progress	648,224	1,695,275	(2,094,252)	249,247
Timber Rights	10,000			10,000
Buildings	4,054,449	180,793		4,235,242
Improvements other than buildings	10,692,053	1,913,463	(297,650)	12,307,866
Leased Machinery and Equipment		146,645		146,645
Machinery and Equipment	4,891,999	41,252	(168,053)	4,765,198
Road Network	3,248,572			3,248,572
Bridge Network	746,935			746,935
				-
Total at Historical Cost	\$ 25,781,527	\$ 4,782,428	\$ (2,559,955)	\$ 28,004,000
Less: Capital Asset Accumulated Depreciation				
Buildings	(1,567,500)	(109,580)		(1,677,080)
Improvements other than buildings	(3,538,734)	(434,787)	175,613	(3,797,908)
Leased Machinery and Equipment		(14,323)		(14,323)
Machinery and Equipment	(3,743,396)	(180,466)	159,016	(3,764,846)
Road Network	(1,610,058)	(55,845)		(1,665,903)
Bridge Network	(274,299)	(16,218)		(290,517)
				-
Total Accumulated Depreciation	\$ (10,733,987)	\$ (811,219)	\$ 334,629	\$ (11,210,577)
Governmental Activities Capital Assets, Net	\$ 15,047,540	\$ 3,971,209	\$ (2,225,326)	\$ 16,793,423

CITY OF NEW ALBANY, MISSISSIPPI

BUSINESS-TYPE ACTIVITIES

Asset Classification	Balance 10/1/2021	Additions	Deletions	Balance 9/30/2022
Capital Asset Values				
Land	\$ 753,080			\$ 753,080
Construction in Progress	15,281,718	2,887,052		18,168,770
Distribution Plant	72,510,069	2,010,127	(213,727)	74,306,469
Machinery and Equipment	7,787,144	698,377		8,485,521
Total at Historical Cost	\$ 96,332,011	\$ 5,595,556	\$ (213,727)	\$ 101,713,840
Less: Capital Asset Accumulated Depreciation				
Distribution Plant	(37,868,363)	(1,949,129)	270,367	(39,547,125)
Machinery and Equipment	(6,511,669)	(436,296)		(6,947,965)
Total Accumulated Depreciation	\$ (44,380,032)	\$ (2,385,425)	\$ 270,367	\$ (46,495,090)
Business-Type Activities Capital Assets, Net	\$ 51,951,979	\$ 3,210,131	\$ 56,640	\$ 55,218,750

Additional information on the City of New Albany's capital assets can be found in note 5 on pages 32-34.

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 \$32,478,992. Of this amount, \$1,624,094 represents notes payable by governmental activities, \$568,000 represents bonds payable by governmental activities, \$99,605 represents leased equipment obligations, \$413,692 represents compensated absences by governmental and business-type activities, \$32,744 represents bond premiums, \$12,487,227 represents bonds paid by water and sewer revenues, \$1,060,400 represents bonds paid by electric revenues, \$2,685,000 represents bonds paid by gas revenues and \$13,508,230 represents notes payable by business-type activities.

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

	Governmental Activities		Business-type Activities		Totals	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Bonds Payable	\$ 568,000	\$ 653,000	\$ 16,232,627	\$ 17,158,525	\$ 16,800,627	\$ 17,811,525
Notes Payable	1,624,094	1,709,373	13,508,230	13,832,670	15,132,324	15,542,043
Lease Obligations	99,605				99,605	-
Compensated Absences	338,619	275,178	75,073	75,073	413,692	350,251
Bond Premiums			32,744	34,724	32,744	34,724
Totals	\$2,630,318	\$2,637,551	\$ 29,848,674	\$ 31,100,992	\$ 32,478,992	\$ 33,738,543

During the fiscal year, the City's total debt decreased by \$1,259,551 or 3.7%. Compensated absences increased in governmental and business-type by \$63,441. Long-term lease obligations related to equipment in the amount of \$146,645 was issued for police vehicles. Debt in the amount of \$1,469,637 matured, refinanced or reclassified during the year.

Additional information on the City of New Albany's long-term debt can be found in note 7 on pages 34-37 of this report.

CITY OF NEW ALBANY, MISSISSIPPI

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2023 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 2023 year.

The general fund budget for the year 2023 shows an increase in the receipts that the City will collect, mainly due to intergovernmental revenues showing a budgeted increase. The 2023 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 2023.

The City of New Albany for the 2023 year is lining up several things for future growth in the city. These include completion of the Spray Park refurbish and parking lot improvements.

Electric, Gas, and Sewer Departments have budget increases in metered sales. The Electric and Gas Departments have budgeted bond proceeds. The Water and Sewer Departments have budgeted grant proceeds. These revenues offset increased budgeted expenses. As a result, for the City's business-type activities, we expect that the net positions do not have significant change by the close of 2023.

For 2023, the Electric Department plans to continue relocation of its primary substation and begin changing meters for automated meter reading. The Electric Department is developing a grid modernization strategy. At the base of the project is a high-speed fiber optic communication system. The network design is underway with construction expected to begin mid-2023. To take advantage of excess system capacity, a dark fiber lease has been approved that will make available high-speed broadband service to every customer in the New Albany Electric System footprint. The Water Department has applied for funding to construct a new backup well and to replace the oldest water mains in the system.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors, with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Clerk's Office at 101 West Bankhead Street New Albany, Mississippi 38652.



Frankie Roberts
City Clerk

Basic Financial Statements

CITY OF NEW ALBANY, MISSISSIPPI

Statement of Net Position

September 30, 2022

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 8,227,612	\$ 20,219,808	\$ 28,447,420
Temporary cash investments	1,802,878	1,971,042	3,773,920
Accounts and interest receivable	2,618,319	6,816,379	9,434,698
Gas held in storage	-	895,166	895,166
Prepaid expenses	12,372	159,537	171,909
Materials and supplies	-	1,042,730	1,042,730
Capital assets:			
Land, improvements and construction in progress	2,553,542	18,921,850	21,475,392
Other capital assets, net of depreciation	14,239,881	36,296,900	50,536,781
Non-utility property	-	908,814	908,814
Lease receivable	54,678	-	54,678
Other assets	-	463,706	463,706
Notes receivable	-	63,559	63,559
Total Assets	<u>29,509,282</u>	<u>87,759,491</u>	<u>117,268,773</u>
Deferred Outflows of Resources			
Pension plan	1,595,964	2,575,636	4,171,600
TVA Heat Pump Program	-	1,950	1,950
	<u>1,595,964</u>	<u>2,577,586</u>	<u>4,173,550</u>
Liabilities			
Accounts payable and accrued liabilities	860,204	8,070,997	8,931,201
Customer deposits	-	2,466,696	2,466,696
Unearned grants received	1,689,178	-	1,689,178
Noncurrent liabilities:			
Due within one year	221,053	1,528,713	1,749,766
Due in more than one year	2,409,265	28,319,961	30,729,226
Pension liability	11,320,615	10,677,599	21,998,214
Total Liabilities	<u>16,500,315</u>	<u>51,063,966</u>	<u>67,564,281</u>
Deferred Inflows of Resources			
Advance payments received	294,650	-	294,650
Pension	-	1,747,247	1,747,247
Lease interest	4,327	-	4,327
Unearned taxes and other revenues	1,365,478	2,015	1,367,493
	<u>1,664,455</u>	<u>1,749,262</u>	<u>3,413,717</u>
Net Position			
Invested in capital assets, net of related debt	14,689,846	36,823,799	51,513,645
Restricted for:			
Debt service	542	659,147	659,689
Capital projects	319,622	-	319,622
Unrestricted	(2,069,534)	40,903	(2,028,631)
Total Net Position	<u>\$ 12,940,476</u>	<u>\$ 37,523,849</u>	<u>\$ 50,464,325</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, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating	Capital	Governmental	Business-type	Total
		Services	Grants and Contributions	Grants and Contributions	Activities	Activities	
Governmental Activities:							
General government	\$ 3,806,480	\$ 222,390	\$ 169,648	\$ 1,784,185	\$ (1,630,257)	\$ -	\$ (1,630,257)
Depreciation expense	278,507	-	-	-	(278,507)	-	(278,507)
Public safety	4,221,745	141,504	162,497	-	(3,917,744)	-	(3,917,744)
Public works	1,060,152	-	363,335	851,680	154,863	-	154,863
Culture and recreation	1,338,931	417,110	15,145	-	(906,676)	-	(906,676)
Interest	53,107	-	-	-	(53,107)	-	(53,107)
Total	<u>10,758,922</u>	<u>781,004</u>	<u>710,625</u>	<u>2,635,865</u>	<u>(6,631,428)</u>	<u>-</u>	<u>(6,631,428)</u>
Business-type Activities:							
Water System	1,749,869	1,509,262	-	-	-	(240,607)	(240,607)
Sewer System	1,437,401	1,476,923	-	916,082	-	955,604	955,604
Gas System	5,566,261	6,020,528	-	-	-	454,267	454,267
Electric	32,156,650	33,277,857	-	-	-	1,121,207	1,121,207
Waste Disposal	952,582	791,961	-	-	-	(160,621)	(160,621)
Airport	90,659	65,574	13,494	-	-	(11,591)	(11,591)
Total	<u>41,953,422</u>	<u>43,142,105</u>	<u>13,494</u>	<u>916,082</u>	<u>-</u>	<u>2,118,259</u>	<u>2,118,259</u>
Total Primary Government	<u>\$ 52,712,344</u>	<u>\$ 43,923,109</u>	<u>\$ 724,119</u>	<u>\$ 3,551,947</u>	<u>(6,631,428)</u>	<u>2,118,259</u>	<u>(4,513,169)</u>
General Revenues:							
Taxes:							
General purpose levies					1,941,315	72,330	2,013,645
Sales taxes					4,297,965	-	4,297,965
Special city sales taxes					1,070,976	-	1,070,976
Franchise taxes					43,737	-	43,737
Investment earnings					42,227	16,566	58,793
Gain (loss) on asset disposals					(115,925)	-	(115,925)
Transfers					195,615	(195,615)	-
Total					<u>7,475,910</u>	<u>(106,719)</u>	<u>7,369,191</u>
Change in Net Position					<u>844,482</u>	<u>2,011,540</u>	<u>2,856,022</u>
Net Position, beginning					<u>12,095,994</u>	<u>35,512,309</u>	<u>47,608,303</u>
Net Position, ending					<u>\$12,940,476</u>	<u>\$37,523,849</u>	<u>\$50,464,325</u>

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

CITY OF NEW ALBANY, MISSISSIPPI

Balance Sheet - Governmental Funds

September 30, 2022

	Major Funds			
	General Fund	Tourism Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 4,127,893	\$ 838,005	\$ 3,261,713	\$ 8,227,611
Investments	1,802,878	-	-	1,802,878
Prepaid expenses	12,372	-	-	12,372
Accounts receivable	2,024,075	295,896	298,348	2,618,319
Lease receivable	-	-	54,678	54,678
Total Assets	<u>\$ 7,967,218</u>	<u>\$ 1,133,901</u>	<u>\$ 3,614,739</u>	<u>\$ 12,715,858</u>
LIABILITIES				
Liabilities:				
Accounts payable and accrued expenses	\$ 360,287	\$ 111,837	\$ 388,080	\$ 860,204
Unearned grants received	-	-	1,689,178	1,689,178
Total Liabilities	<u>360,287</u>	<u>111,837</u>	<u>2,077,258</u>	<u>2,549,382</u>
DEFERRED INFLOWS OF RESOURCES				
Advance payments received	82,150	212,500	-	294,650
Lease principal	-	-	50,056	50,056
Lease interest	-	-	4,327	4,327
Unavailable taxes & revenues	<u>1,276,202</u>	<u>89,276</u>	<u>-</u>	<u>1,365,478</u>
	<u>1,358,352</u>	<u>301,776</u>	<u>54,383</u>	<u>1,714,511</u>
FUND BALANCES				
Restricted	-	-	320,164	320,164
Committed	500,000	-	-	500,000
Assigned	3,895,294	720,288	1,162,934	5,778,516
Unassigned	<u>1,853,285</u>	<u>-</u>	<u>-</u>	<u>1,853,285</u>
Total Fund Balances	<u>6,248,579</u>	<u>720,288</u>	<u>1,483,098</u>	<u>8,451,965</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 7,967,218</u>	<u>\$ 1,133,901</u>	<u>\$ 3,614,739</u>	<u>\$ 12,715,858</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, 2022

	<u>Amount</u>
Total Fund Balance - Total Governmental Funds	\$ 8,451,965
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 \$ 11,210,575	16,793,423
2. Other long-term assets are not available to pay for current period expenditures and are, therefore, not recognized in the governmental funds.	50,056
3. Long-term liabilities, including bonds payable, are not due and payable in the current period and are, therefore, not reported in governmental funds.	(2,291,699)
4. Accrued compensated absences are not due and payable in the current year and are, therefore, not reported in the governmental funds.	(338,619)
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>(9,724,650)</u>
Total Net Position - Governmental Activities	<u>\$ 12,940,476</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, 2022

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Tourism Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 1,841,499	\$ -	\$ 99,817	\$ 1,941,316
Sales taxes	4,297,965	1,070,976	-	5,368,941
Franchise and other taxes	43,737	-	-	43,737
Charges for services, including fines and forfeitures	651,939	66,218	62,847	781,004
Grants and other intergovernmental revenue	1,156,683	1,985	2,187,822	3,346,490
Investment earnings	25,315	3,540	13,371	42,226
	<u>8,017,138</u>	<u>1,142,719</u>	<u>2,363,857</u>	<u>11,523,714</u>
Total Revenues				
Expenditures:				
General government	1,641,092	723,150	172,230	2,536,472
Public safety	3,665,818	-	74,131	3,739,949
Public works	801,966	-	-	801,966
Culture and recreation	966,010	-	99,929	1,065,939
Debt service:				
Principal	102,585	85,000	29,734	217,319
Interest and other charges	27,181	19,590	6,336	53,107
Capital outlay	1,078,628	34,381	2,675,822	3,788,831
	<u>8,283,280</u>	<u>862,121</u>	<u>3,058,182</u>	<u>12,203,583</u>
Total Expenditures				
Excess of Revenues over Expenditures	<u>(266,142)</u>	<u>280,598</u>	<u>(694,325)</u>	<u>(679,869)</u>
Other Financing Sources (Uses):				
Transfers in	689,000	-	105,000	794,000
Transfers out	(30,680)	(105,000)	(462,705)	(598,385)
Lease principal payments	-	-	38,186	38,186
Loan proceeds	142,574	-	-	142,574
Sale of property and equipment	26,784	-	-	26,784
	<u>827,678</u>	<u>(105,000)</u>	<u>(319,519)</u>	<u>403,159</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	<u>561,536</u>	<u>175,598</u>	<u>(1,013,844)</u>	<u>(276,710)</u>
Fund balances, beginning - as previously stated	5,687,043	544,690	3,572,883	9,804,616
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(1,075,941)</u>	<u>(1,075,941)</u>
Fund balances, beginning - as restated	<u>\$ 5,687,043</u>	<u>\$ 544,690</u>	<u>\$ 2,496,942</u>	<u>\$ 8,728,675</u>
Fund balances - ending	<u>\$ 6,248,579</u>	<u>\$ 720,288</u>	<u>\$ 1,483,098</u>	<u>\$ 8,451,965</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, 2022

	<u>Amount</u>
Net Change in Fund Balances - Total Governmental Funds	\$ (276,710)
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.	1,730,307
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.	(142,710)
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.	(63,441)
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.	(38,186)
5. The amount 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.	(582,097)
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 proceeds exceeded repayments.	217,319
Change in Net Position of Governmental Activities	<u>\$ 844,482</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, 2022

Major Funds

	Water System	Sewer System	Gas System	Electric Department	Other Enterprise Funds	Total Enterprise Funds
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 322,066	\$ 563,487	\$ 1,445,115	\$ 17,043,991	\$ 845,149	\$ 20,219,808
Investments	498,887	-	878,660	593,495	-	1,971,042
Materials and supplies	-	-	146,499	896,231	-	1,042,730
Accounts receivable, net of allowance for doubtful accounts of \$ 46,564	414,727	367,505	474,736	5,493,705	65,706	6,816,379
Gas held in storage	-	-	895,166	-	-	895,166
Other receivables	-	-	152	463,554	-	463,706
Prepayments	-	-	-	159,537	-	159,537
Total current assets	<u>1,235,680</u>	<u>930,992</u>	<u>3,840,328</u>	<u>24,650,513</u>	<u>910,855</u>	<u>31,568,368</u>
Noncurrent Assets						
Notes receivable	-	-	-	63,559	-	63,559
Capital assets:						
Land	58,902	197,465	469,395	27,318	-	753,080
Distribution plant	11,081,854	11,038,989	13,921,828	38,263,797	-	74,306,468
Machinery and equipment	331,767	10,821	1,764,025	5,189,009	1,189,899	8,485,521
Non-utility property	-	-	-	908,814	-	908,814
Construction in progress	-	14,264,571	-	3,904,199	-	18,168,770
Less: accumulated depreciation	<u>(6,946,102)</u>	<u>(5,020,839)</u>	<u>(9,540,627)</u>	<u>(23,913,620)</u>	<u>(1,073,901)</u>	<u>(46,495,089)</u>
Total non-current assets	<u>4,526,421</u>	<u>20,491,007</u>	<u>6,614,621</u>	<u>24,443,076</u>	<u>115,998</u>	<u>56,191,123</u>
Total assets	<u>5,762,101</u>	<u>21,421,999</u>	<u>10,454,949</u>	<u>49,093,589</u>	<u>1,026,853</u>	<u>87,759,491</u>
DEFERRED OUTFLOWS OF RESOURCES						
Pension plan	134,965	190,990	497,719	1,454,697	297,265	2,575,636
TVA Heat Pump Program	-	-	-	1,950	-	1,950
	<u>134,965</u>	<u>190,990</u>	<u>497,719</u>	<u>1,456,647</u>	<u>297,265</u>	<u>2,577,586</u>
LIABILITIES						
Current liabilities						
Accounts payable and accrued expenses	369,073	496,853	765,266	6,374,959	64,846	8,070,997
Customer deposits	142,070	-	588,401	1,736,225	-	2,466,696
Current maturities of long-term debt	<u>38,174</u>	<u>469,439</u>	<u>115,000</u>	<u>906,100</u>	<u>-</u>	<u>1,528,713</u>
Total current liabilities	<u>549,317</u>	<u>966,292</u>	<u>1,468,667</u>	<u>9,017,284</u>	<u>64,846</u>	<u>12,066,406</u>
Non-current liabilities						
Accrual for compensated absences	-	-	9,569	65,504	-	75,073
Notes payable	-	277,307	-	12,646,000	-	12,923,307
Bonds payable	1,427,813	10,595,201	2,587,267	711,300	-	15,321,581
Pension liability	<u>1,124,311</u>	<u>755,566</u>	<u>2,032,454</u>	<u>5,801,773</u>	<u>963,495</u>	<u>10,677,599</u>
Total non-current liabilities	<u>2,552,124</u>	<u>11,628,074</u>	<u>4,629,290</u>	<u>19,224,577</u>	<u>963,495</u>	<u>38,997,560</u>
Total liabilities	<u>3,101,441</u>	<u>12,594,366</u>	<u>6,097,957</u>	<u>28,241,861</u>	<u>1,028,341</u>	<u>51,063,966</u>
DEFERRED INFLOWS OF RESOURCES						
Pension plan	-	-	-	1,747,247	-	1,747,247
TVA Heat Pump Program	-	-	-	2,015	-	2,015
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,749,262</u>	<u>-</u>	<u>1,749,262</u>
NET POSITION						
Invested in capital assets, net of related debt	3,060,434	9,149,060	3,912,354	20,585,953	115,998	36,823,799
Temporarily restricted	70,987	370,782	217,378	-	-	659,147
Unrestricted	<u>(335,796)</u>	<u>(501,219)</u>	<u>724,979</u>	<u>(26,840)</u>	<u>179,779</u>	<u>40,903</u>
Total net position	<u>\$ 2,795,625</u>	<u>\$ 9,018,623</u>	<u>\$ 4,854,711</u>	<u>\$ 20,559,113</u>	<u>\$ 295,777</u>	<u>\$ 37,523,849</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, 2022

	Major Funds				Other Enterprise Funds	Total Enterprise Funds
	Water System	Sewer System	Gas System	Electric Department		
Operating revenues:						
Charges for services	\$ 1,509,262	\$ 1,476,923	\$ 6,020,528	\$ 32,518,392	\$ 857,535	\$ 42,382,640
Other	-	-	-	759,465	-	759,465
Total operating revenues	<u>1,509,262</u>	<u>1,476,923</u>	<u>6,020,528</u>	<u>33,277,857</u>	<u>857,535</u>	<u>43,142,105</u>
Operating expenses:						
Purchases for resale	-	-	2,980,910	24,776,923	-	27,757,833
Operation and maintenance	1,509,242	991,780	2,060,900	4,490,868	1,029,754	10,082,544
Depreciation and amortization	198,554	239,022	411,383	1,207,652	13,487	2,070,098
Tax equivalents	-	-	-	1,252,771	-	1,252,771
Total operating expenses	<u>1,707,796</u>	<u>1,230,802</u>	<u>5,453,193</u>	<u>31,728,214</u>	<u>1,043,241</u>	<u>41,163,246</u>
Operating income (loss)	<u>(198,534)</u>	<u>246,121</u>	<u>567,335</u>	<u>1,549,643</u>	<u>(185,706)</u>	<u>1,978,859</u>
Non-operating revenues (expenses):						
Interest income	157	700	4,794	6,855	4,060	16,566
Interest expense	(42,073)	(206,599)	(113,068)	(424,622)	-	(786,362)
Non-operating expenses	-	-	-	(3,814)	-	(3,814)
Property taxes	-	-	-	-	72,330	72,330
Intergovernmental and grant revenue	-	916,082	-	-	13,494	929,576
Other nonoperating revenues	-	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>(41,916)</u>	<u>710,183</u>	<u>(108,274)</u>	<u>(421,581)</u>	<u>89,884</u>	<u>228,296</u>
Income (loss) before operating transfers	(240,450)	956,304	459,061	1,128,062	(95,822)	2,207,155
Transfers in (out)	<u>(24,000)</u>	<u>462,705</u>	<u>(645,000)</u>	<u>-</u>	<u>10,680</u>	<u>(195,615)</u>
Change in net position	<u>(264,450)</u>	<u>1,419,009</u>	<u>(185,939)</u>	<u>1,128,062</u>	<u>(85,142)</u>	<u>2,011,540</u>
Net position, beginning	<u>3,060,075</u>	<u>7,599,614</u>	<u>5,040,650</u>	<u>19,431,051</u>	<u>380,919</u>	<u>35,512,309</u>
Net position, ending	<u>\$ 2,795,625</u>	<u>\$ 9,018,623</u>	<u>\$ 4,854,711</u>	<u>\$ 20,559,113</u>	<u>\$ 295,777</u>	<u>\$ 37,523,849</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, 2022

	Major Funds				Other Enterprise Funds	Total Enterprise Funds
	Water System	Sewer System	Gas System	Electric Department		
Cash flows from operating activities:						
Receipts from customers	\$ 1,521,571	\$ 1,513,876	\$ 5,863,656	\$ 31,967,833	\$ 868,420	\$ 41,735,356
Payments to suppliers	(737,488)	(675,890)	(3,810,860)	(25,376,634)	(1,455,316)	(32,056,188)
Payments to employees	(654,875)	(369,944)	(1,190,801)	(3,459,322)	475,598	(5,199,344)
Net cash provided (used) by operating activities	129,208	468,042	861,995	3,131,877	(111,298)	4,479,824
Cash flows from non-capital financing activities:						
Transfers from (to) other funds	(24,000)	462,705	(645,000)	(1,081,800)	10,680	(1,277,415)
Net cash provided (used) in non-capital financing activities	(24,000)	462,705	(645,000)	(1,081,800)	10,680	(1,277,415)
Cash flows from capital and related financing activities:						
Taxes and intergovernmental revenues, net	-	-	-	-	85,818	85,818
Proceeds from issuance of debt	-	-	-	-	-	-
Payments for acquisition of capital assets	-	(1,272,055)	(333,988)	-	-	(1,606,043)
Receipts from capital grants	-	916,082	-	-	-	916,082
Principal payments on long-term debt	(37,140)	(463,896)	(110,731)	(641,800)	-	(1,253,567)
Net additions to utility plant	-	-	-	(3,729,006)	-	(3,729,006)
Interest paid on long-term debt	(42,073)	(205,350)	(113,068)	(424,622)	-	(785,113)
Net cash provided by (used in) capital and related financing activities	(79,213)	(1,025,219)	(557,787)	(4,795,428)	85,818	(6,371,829)
Cash flows from investing activities:						
Interest on investments	157	700	4,728	6,855	4,060	16,500
Increase in notes receivable	-	-	-	(20,827)	-	(20,827)
Cash received from maturity of certificates of deposit	-	-	-	592,196	-	592,196
Cash paid for investment in certificates of deposit	-	-	(1,934)	(593,495)	-	(595,429)
Net cash provided (used) by investing activities	157	700	2,794	(15,271)	4,060	(7,560)
Net change in cash	26,152	(93,772)	(337,998)	(2,760,622)	(10,740)	(3,176,980)
Cash and cash equivalents at beginning of year	295,914	657,259	1,783,113	19,804,613	855,889	23,396,788
Cash and cash equivalents at end of year	\$ 322,066	\$ 563,487	\$ 1,445,115	\$ 17,043,991	\$ 845,149	\$ 20,219,808
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ (198,534)	\$ 246,121	\$ 567,335	\$ 1,549,643	\$ (185,706)	\$ 1,978,859
Nonoperating income	-	-	-	-	-	-
Nonoperating expenses	-	-	-	(3,814)	-	(3,814)
Transfers to City General Fund	-	-	-	1,081,800	-	1,081,800
Depreciation and amortization	198,554	239,022	411,383	1,207,652	13,487	2,070,098
Change in:						
Accounts receivable	4,349	36,953	(170,551)	(1,408,274)	10,885	(1,526,638)
Gas held in storage	-	-	(414,244)	-	-	(414,244)
Materials and supplies	-	-	(7,734)	(195,985)	-	(203,719)
Prepayments	-	-	-	838	-	838
Accounts payable and accrued expenses	88,555	(108,149)	385,432	805,819	22,798	1,194,455
Pension liability	330,379	224,294	757,640	(1,961,236)	222,213	(426,710)
Deferred inflows/outflows	(302,055)	(170,199)	(680,945)	1,979,237	(194,975)	631,063
Customer deposits	7,960	-	13,679	76,197	-	97,836
Net cash provided (used) by operating activities	\$ 129,208	\$ 468,042	\$ 861,995	\$ 3,131,877	\$ (111,298)	\$ 4,479,824

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

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30,

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 can 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. 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, 2022

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. Separate statements for each fund category – governmental, and proprietary – 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, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

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.

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*.

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

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.

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:

	<u><i>Estimated Useful Life</i></u>
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

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Financial Statement Amounts (continued)

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.

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 typically levied in the fiscal year preceding the year in which such taxes are billed and collected. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB No. 33.

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, 2022, and cumulative totals for the 12-month period then ending.

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Financial Statement Amounts (continued)

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.

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 securities pledged by the City's depository institution to the Mississippi State Treasurer.

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

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

- Category 1 - Insured by FDIC or collateralized with securities held by the City or by its agent in its name.
- Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or collateralized with no written or approved collateral agreement.

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

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2022

NOTE 3. RECEIVABLES

A summary of accounts and receivables at September 30, 2022 follows:

	<i>Property Tax and Trade Receivables</i>	<i>Due from Other Governments</i>	<i>Other</i>	<i>Total Receivables</i>
Governmental activities:				
General	\$ 1,276,202	\$ 711,397	\$ 36,476	\$ 2,024,075
Tourism	-	259,898	35,998	295,896
Other governmental	286	295,863	2,199	298,348
Total governmental activities	<u>\$ 1,276,488</u>	<u>\$ 1,267,158</u>	<u>\$ 74,673</u>	<u>\$ 2,618,319</u>
Business-type activities:				
Electric	\$ 4,857,619	\$ 636,086	\$ -	\$ 5,493,705
Gas	136,371	338,365	-	474,736
Water	235,058	179,669	-	414,727
Sewer	243,997	123,508	-	367,505
Other business-type	62,352	3,354	-	65,706
Total business-type activities	<u>\$ 5,535,397</u>	<u>\$ 1,280,982</u>	<u>\$ -</u>	<u>\$ 6,816,379</u>

NOTE 4. NOTES RECEIVABLE

The Electric Department's servicing organization, Central Services Association, Inc. ("CSA"), is operated as a co-operative of which the Electric Department is a member. CSA refunds, annually, a percentage of billings to its members. Certain unremitted refunds are included in notes receivable and bear interest.

NOTE 5. 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%.

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2022

NOTE 5. CAPITAL LEASE RECEIVABLE (continued)

In November, 2021 the City received notification from Abby of their intent to exercise their option to purchase the building. The transaction was completed in December, 2021 and the residual balance related to the Abby lease was charged to expense by the City.

Future minimum lease receivables are as follows:

<i>Years ending September 30:</i>	<i>Principal</i>	<i>Interest</i>
2023	\$ 12,161	\$ 1,800
2024	12,656	1,305
2025	13,172	788
2026	12,067	434
	<u>\$ 50,056</u>	<u>\$ 4,327</u>

NOTE 6. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended September 30, 2022 was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
Governmental Activities:				
Non-depreciable capital assets:				
Land	\$ 1,489,295	\$ 805,000	\$ -	\$ 2,294,295
Construction in progress	648,224	1,695,275	2,094,252	249,247
Timber rights	10,000	-	-	10,000
Total non-depreciable capital assets	<u>2,147,519</u>	<u>2,500,275</u>	<u>2,094,252</u>	<u>2,553,542</u>
Depreciable capital assets:				
Buildings	4,054,449	180,793	-	4,235,242
Improvements other than buildings	10,692,053	1,913,463	297,650	12,307,866
Leased machinery and equipment	-	146,645	-	146,645
Machinery and equipment	4,891,999	41,252	168,053	4,765,198
Road network	3,248,572	-	-	3,248,572
Bridge network	746,935	-	-	746,935
Total depreciable capital assets	<u>23,634,008</u>	<u>2,282,153</u>	<u>465,703</u>	<u>25,450,458</u>
Less accumulated depreciation for:				
Buildings	1,567,500	109,580	-	1,677,080
Improvements other than buildings	3,538,734	434,787	175,613	3,797,908
Leased machinery and equipment	-	14,323	-	14,323
Machinery and equipment	3,743,396	180,466	159,016	3,764,846
Road network	1,610,058	55,845	-	1,665,903
Bridge network	274,299	16,218	-	290,517
Total accumulated depreciation	<u>10,733,987</u>	<u>811,219</u>	<u>334,629</u>	<u>11,210,577</u>
Net depreciable capital assets	<u>12,900,021</u>	<u>1,470,934</u>	<u>131,074</u>	<u>14,239,881</u>
Governmental activities capital assets	<u>\$ 15,047,540</u>	<u>\$ 3,971,209</u>	<u>\$ 2,225,326</u>	<u>\$ 16,793,423</u>

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2022

NOTE 6. CAPITAL ASSETS (continued)

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

General government	\$ 278,507
Public safety	130,055
Public works, including road and bridge networks	193,231
Culture and recreation	209,426
	<u>\$ 811,219</u>

Capital asset activity for business-type activities for the year ended September 30, 2022 was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
Business-Type Activities:				
Non-depreciable capital assets:				
Land	\$ 753,080	\$ -	\$ -	\$ 753,080
Construction in progress	15,281,718	2,887,052	-	18,168,770
Total non-depreciable capital assets	<u>16,034,798</u>	<u>2,887,052</u>	<u>-</u>	<u>18,921,850</u>
Depreciable capital assets:				
Distribution plant	72,510,069	2,010,127	213,727	74,306,469
Machinery and equipment	7,787,144	698,377	-	8,485,521
Total depreciable capital assets	<u>80,297,213</u>	<u>2,708,504</u>	<u>213,727</u>	<u>82,791,990</u>
Less accumulated depreciation for:				
Distribution plant	37,868,363	1,949,129	270,367	39,547,125
Machinery and equipment	6,511,669	436,296	-	6,947,965
Total accumulated depreciation	<u>44,380,032</u>	<u>2,385,425</u>	<u>270,367</u>	<u>46,495,090</u>
Net depreciable capital assets	<u>35,917,181</u>	<u>323,079</u>	<u>(56,640)</u>	<u>36,296,900</u>
Business-Type activities capital assets	<u>\$ 51,951,979</u>	<u>\$ 3,210,131</u>	<u>\$ (56,640)</u>	<u>\$ 55,218,750</u>

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

Electric	\$ 1,522,978
Gas	411,383
Water	198,554
Sewer	239,022
Other non-major proprietary funds	13,487
Less amounts capitalized during the year	<u>(315,326)</u>
	<u>\$ 2,070,098</u>

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2022

NOTE 6. CAPITAL ASSETS (continued)

During their fiscal year ended June 30, 2020, the City of New Albany Electric Department acquired certain real estate that will eventually serve as the primary office facility for the Department. In addition, the Department also acquired certain land upon which a substation will be constructed in the future. These properties have not been placed into service as a component of utility plant as of the fiscal year end, and, accordingly, are not yet subject to periodic depreciation charges. Until such time as these properties are placed into service as utility plant, the Department has recorded the cost of such property in nonutility plant in the accompanying statement of net position. The following is a summary of changes in nonutility plant:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
Nonutility property	\$ 908,814	\$ -	\$ -	\$ 908,814

Commitments under executed construction contracts for all activity types at September 30, 2022 amounted to \$2,627,737.

NOTE 7. PAYABLES

Governmental activities payables at September 30, 2022 were as follows:

	<i>Vendors</i>	<i>Salaries and Benefits</i>	<i>Other</i>	<i>Total</i>
Governmental activities:				
General	\$ 215,387	\$ 99,353	\$ 45,547	\$ 360,287
Tourism	89,136	20,982	1,719	111,837
Other governmental	381,386	-	6,694	388,080
Total governmental activities	\$ 685,909	\$ 120,335	\$ 53,960	\$ 860,204

Business-type activity payables at September 30, 2022, were as follows:

	<i>Vendors</i>	<i>Salaries and Benefits</i>	<i>Other</i>	<i>Total</i>
Business-type activities:				
Electric	\$ 5,605,106	\$ 183,366	\$ 586,487	\$ 6,374,959
Gas	374,542	22,068	368,656	765,266
Water	-	10,587	358,486	369,073
Sewer	93,433	-	403,420	496,853
Other business-type	54,649	10,119	78	64,846
Total business-type activities	\$ 6,127,730	\$ 226,140	\$ 1,717,127	\$ 8,070,997

NOTE 8. NONCURRENT LIABILITIES

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

Governmental activities include long-term lease obligations related to equipment. All other leasing arrangements are short-term or immaterial to the financial statements.

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2022

NOTE 8. NONCURRENT LIABILITIES (continued)

As of September 30, 2022, the governmental noncurrent liabilities consisted of the following:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
Capital improvement loan	3.000%	7/1/2029	\$ 141,141
Capital improvement loan	3.000%	9/1/2026	46,981
G.O. improvement bond	3.000%	6/1/2028	568,000
Note payable to bank	2.300%	8/15/2038	1,435,972
Lease obligations			99,605
Accrual for compensated absences			338,619
			<u>\$ 2,630,318</u>

As of September 30, 2022, the business-type noncurrent liabilities payable consisted of the following:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
State of MS Commission on Environmental Quality	1.750%	10/31/32	\$ 305,230
Series 2013 Refunding Bond	2.00%-3.25%	05/01/33	2,290,000
G.O. Taxable Refunding Bond Series 2021	1.250%	05/16/25	1,060,400
Series 2018 G.O. Utility Bond	4.000%	06/01/38	2,685,000
Series 2018 Utility Bond Premium			32,744
Series 2020, MS Development Bank Note	2.900%	06/01/45	13,203,000
USDA Revenue Bond #92-13	2.750%	03/11/49	1,465,987
USDA Revenue Bond #92-15	1.500%	08/17/55	7,539,464
USDA Revenue Bond #92-17	1.500%	08/17/55	1,191,776
Accrual for compensated absences			75,073
			<u>\$ 29,848,674</u>

The following is a summary of changes in noncurrent liabilities for the year ended September 30, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	\$ 1,709,373	\$ -	\$ 85,279	\$ 1,624,094	\$ 106,406
Bonds payable	653,000	-	85,000	568,000	88,000
Lease obligations	-	146,645	47,040	99,605	26,647
Governmental fund debt	2,362,373	146,645	217,319	2,291,699	221,053
Compensated absences	275,178	63,441	-	338,619	-
Total governmental activities	<u>\$ 2,637,551</u>	<u>\$ 210,086</u>	<u>\$ 217,319</u>	<u>\$ 2,630,318</u>	<u>\$ 221,053</u>
Bonds payable	\$ 17,158,525	\$ -	\$ 925,898	\$ 16,232,627	\$ 943,789
Notes payable	13,832,670	-	324,440	13,508,230	584,924
Proprietary fund debt	30,991,195	-	1,250,338	29,740,857	1,528,713
Bond premiums	34,724	-	1,980	32,744	-
Compensated absences	75,073	-	-	75,073	-
Total business-type activities	<u>\$ 31,100,992</u>	<u>\$ -</u>	<u>\$ 1,252,318</u>	<u>\$ 29,848,674</u>	<u>\$ 1,528,713</u>

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2022

NOTE 8. NONCURRENT LIABILITIES (continued)

The City's outstanding notes payable related to governmental activities are from direct borrowings and direct placements with the Mississippi Development Authority (MDA) and a local bank. 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, 2022 are as follows:

<i>Year Ending</i> <i>September 30,</i>	<i>Governmental Activities</i>					
	<i>Bonds</i>		<i>Lease Obligations</i>		<i>Notes Payable</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2023	88,000	17,040	26,647	2,626	106,406	37,489
2024	90,000	14,400	27,457	1,816	109,100	34,795
2025	93,000	11,700	28,004	981	111,864	32,032
2026	96,000	8,910	17,497	188	113,578	29,197
2027	99,000	6,030	-	-	104,653	26,466
2028-2032	102,000	3,060	-	-	482,622	96,012
2033-2037	-	-	-	-	498,230	40,900
2038-2042	-	-	-	-	97,641	1,125
	<u>\$ 568,000</u>	<u>\$ 61,140</u>	<u>\$ 99,605</u>	<u>\$ 5,611</u>	<u>\$ 1,624,094</u>	<u>\$ 298,016</u>

<i>Year Ending</i> <i>September 30,</i>	<i>Business Type Activities</i>			
	<i>Bonds</i>		<i>Note Payable</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2023	943,789	353,281	584,924	388,005
2024	967,250	244,768	600,416	371,360
2025	985,988	315,395	616,918	354,273
2026	637,402	295,357	635,428	336,708
2027	651,795	278,851	652,947	318,615
2028-2032	3,052,765	1,132,915	3,557,848	1,303,053
2033-2037	2,525,436	757,444	3,597,749	773,202
2038-2042	2,049,969	459,210	2,422,000	322,973
2043-2047	1,782,635	294,844	840,000	44,950
2048-2052	1,656,675	146,023	-	-
2053-2055	978,923	29,453	-	-
	<u>\$ 16,232,627</u>	<u>\$ 4,307,541</u>	<u>\$ 13,508,230</u>	<u>\$ 4,213,139</u>

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2022

NOTE 8. NONCURRENT LIABILITIES (continued)

Revenue bonds issued by the utility departments require the departments to establish a bond and interest fund, a depreciation fund, and a contingent fund. At September 30, 2022, the System has segregated funds aggregating \$441,761. The balance of these accounts is included in restricted net position on the statements of net position of the Department to which the debt is allocated.

NOTE 9. CONDUIT DEBT OBLIGATION

During the fiscal year ended September 30, 2014, the City entered into an interlocal cooperative agreement with Union County, Pontotoc County, Chickasaw County, the City of Pontotoc, the City of Houston, the Town of New Houlka, the Town of Ecu and the Town of Algoma. The interlocal agreement was entered into because the City of New Albany agreed to make application (i.e. be the “Applicant City”) with the Mississippi Development Authority through the Capital Improvements Revolving Loan Program (“CAP loan”) for purpose of securing funding necessary for GM&O Rails to Trails Recreational District of North Mississippi (of which the City of New Albany is a participating entity along 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. Based on guidance of GASB Statement No. 91 issued in May 2019, this debt meets the definition of a conduit debt obligation. GASB Statement No. 91 requires that conduit debt obligations be disclosed only in the notes to the financial statements rather than being recorded as liabilities in the financial statements.

The City of New Albany has not extended any additional commitment for the debt service payments beyond the sales tax rebates pledged as collateral and the payments received from the GM&O Rails to Trails Recreational District of North Mississippi. At September 30, 2022, the conduit debt obligation has an outstanding principal amount payable of \$449,204, which, as outlined above, is not recognized as a liability by the City pursuant to GASB Statement No. 91. The debt matures in January 2029.

During the current fiscal year, the City of New Albany, acting as a conduit, received \$78,816 from the District to fund the required CAP loan note payments of \$67,350 in principal payments and \$9,871 in interest payments remitted to the Mississippi Development Authority.

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, 2022 the City’s contribution to the district amounted to \$19,581 which was recorded as “aid to other governments” expenditures.

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2022

NOTE 10. INTERFUND BALANCES

Inter-fund balances, included in accounts receivable and accounts payable in the applicable funds at September 30, 2022, consisted of the following:

	<i>Due From General Fund</i>
Due to Tourism Fund	\$ 35,998

NOTE 11. INTER-FUND TRANSFERS

Inter-fund transfers for the year ended September 30, 2022, consisted of the following:

		Transfer From					
		<i>General Fund</i>	<i>Capital Projects</i>	<i>Tourism</i>	<i>Water</i>	<i>Gas</i>	<i>Total</i>
Transfer to	General fund	\$ 20,000	\$ -	\$ -	\$ 24,000	\$ 645,000	\$ 689,000
	Capital projects	-	-	80,000	-	-	80,000
	Major proprietary	-	462,705	-	-	-	462,705
	Nonmajor proprietary	10,680	-	-	-	-	10,680
	Special revenue	-	-	25,000	-	-	25,000
		<u>\$ 30,680</u>	<u>\$ 462,705</u>	<u>\$ 105,000</u>	<u>\$ 24,000</u>	<u>\$ 645,000</u>	<u>\$ 1,267,385</u>

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

NOTE 12. 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 taxes are recorded as receivable when levied with a corresponding deferred inflow on the modified accrual basis of accounting since the receivables are not expected to be collected within sixty days of the City's fiscal year end. On the full accrual basis, the tax levied also represents a deferred inflow since the receivables relate to a tax levied for a future fiscal period.

NOTE 13. 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.

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2022

NOTE 13. RELATED PARTY TRANSACTIONS (continued)

Various purchases and other expenses are paid by the Electric Department on behalf of the City's other utility departments and are later reimbursed. Included in accounts payable at September 30, 2021 are \$777,020 for amounts owed to the Electric Department for such expenses by the other utility departments. During the year ended June 30, 2022, the Electric Department transferred \$1,081,800 in cash payments to the City of New Albany. During the year ended September 30, 2022, the other utility departments transferred \$206,295, net in cash payments to the City of New Albany. 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 14. 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. The Department also incurs monthly facilities charges payable to Tennessee Valley Authority with each purchased power invoice. The utility departments rental activities are either immaterial or qualify for the short-term rental exception to recognition criteria under GASB 87 related to the recognition of leased assets and related lease liabilities. Rental expense related to these leases for the Electric Department amounted to \$133,000 during the year ended June 30, 2022 and for the Gas, Water, and Sewer Departments amounted to \$11,960 during the year ended September 30, 2022.

NOTE 15. FINANCIAL INSTRUMENTS

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

NOTE 16. RISK MANAGEMENT

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

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

NOTE 17. JOINT VENTURES

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

New Albany Main Street Association is involved in promotion of downtown business. For the fiscal year ended September 30, 2022, the City provided \$23,325 in support to the Association.

The Union County Library administers the countywide library. For the fiscal year ended September 30, 2022, the City provided \$101,838 in support to the Library.

Union County Development Association is involved in business development. For the fiscal year ended September 30, 2022, the City provided \$26,750 in support to the Association.

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2022

NOTE 17. JOINT VENTURES (continued)

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, 2022, 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, 2022, the City provided \$5,850 in support to the Department.

Union County Health Department administers the operations of the local health department. For the fiscal year ended September 30, 2022, 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, 2022, the City provided \$65,880 in support to the Museum.

The City's activities with The GM&O Rails to Trails Recreational District of North Mississippi are discussed in .

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

NOTE 18. MAGNOLIA CIVIC CENTER

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

NOTE 19. NEW ALBANY/UNION COUNTY AIRPORT

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

NOTE 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, 2022, the City recognized revenue of \$25,000 related to this sale agreement with the unamortized balance of \$212,500 included in deferred inflows of resources in the Tourism Fund.

During the years ended September 30, 2022 and 2021, the City was the recipient of Coronavirus State and Local Fiscal Recovery Funds totaling \$2,151,883. These funds were made available by the American Rescue Plan Act of 2021 and allocated through the Mississippi Municipal League. Based on guidelines issued by the US Department of Treasury, funds may be used to fill revenue shortfalls of the local government, support public health expenditures, address negative economic impacts caused by the public health emergency, aid the communities and populations hardest hit by the crisis, provide premium pay for essential workers and invest in water sewer, and broadband infrastructure. Such funds can be used for eligible costs incurred during the period that begins on March 3, 2021 and ending on December 31, 2024. In accordance with the general terms of the award, funds paid to a recipient in excess of amounts to which the recipient is finally determined to be authorized to retain under the terms of the award constitutes a debt to the federal government. At September 30, 2022, grant funds not yet utilized totaled \$1,689,177. Accordingly, at September 30, 2022, the City accounted for these grant funds as advance payments in both the government-wide statement of net position and the fund financial statements.

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2022

NOTE 20. ADVANCE PAYMENTS RECEIVED (continued)

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. PERS administers a cost-sharing, multiple employer defined benefit pension plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*.

Benefits provided

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

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2022

NOTE 22. PENSION PLAN (continued)

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, 2019 was 17.40 percent of earned compensation. Contributions to the pension plan from the City as a whole were \$1,434,531 for the year ended September 30, 2022.

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

At September 30, 2022, the City reported a liability of \$21,998,214 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022. At June 30, 2022, the City's proportion was 0.1181%, which was a decrease of .0006% from its proportion measured as of June 30, 2021.

For the year ended September 30, 2022, the City recognized pension expense of \$2,170,594.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	\$ 322,103	\$ -
Changes in assumptions	1,006,616	-
Net difference between projected and actual earnings on pension plan investments	850,715	1,747,247
Changes in proportion and differences between City contributions and proportionate share of contributions	1,242,612	-
City contributions subsequent to the measurement date	749,554	-
	<u>\$ 4,171,600</u>	<u>\$ 1,747,247</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:

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2022

NOTE 22. PENSION PLAN (continued)

Years ended September 30,	
2023	\$ 633,781
2024	501,393
2025	(74,932)
2026	614,557
Thereafter	-
	<u>\$ 1,674,799</u>

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2021 and a measurement date determined of June 30, 2022 using standard roll forward techniques, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	2.65% - 17.90%, including inflation
Investment rate of return	7.55%, net of pension plan investment expense, including inflation

Mortality rates were based on PubS.H-2010(B) Retiree Table with the following adjustments. For males 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates will be projected generationally using the MP-2020 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, 2020.

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, 2022, 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 %	4.60 %
International equity	22.00	4.50 %
Global equity	12.00	4.80 %
Debt securities	20.00	(0.25) %
Real estate	10.00	3.75 %
Private equity	8.00	6.00 %
Cash	1.00	(1.00) %
	<u>100.00 %</u>	

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2022

NOTE 22. PENSION PLAN (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.55%, net of pension plan investment expense. 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 City's proportionate share of the net pension liability calculated using the discount rate of 7.55%, as well as what the City'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	\$ 31,720,449	\$ 24,304,955	\$ 18,191,258

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, 2022 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, 2022, the City abated property taxes totaling \$68,917. Six new agreements were entered into by the City in 2022 and twenty-two agreements were in effect as of the end of the reporting period.

NOTE 24. MAJOR CUSTOMER

During the year ended June 30, 2022 one customer accounted for approximately 12.89% of total electric operating revenue.

CITY OF NEW ALBANY, MISSISSIPPI

Notes to Financial Statements September 30, 2022

NOTE 25. PRIOR PERIOD ADJUSTMENT

The City of New Albany was the recipient of funds made available as part of the Coronavirus Relief Fund during the year ended September 30, 2021. Based on guidance in GASB 33 and Technical Bulletin 2020-1, the City has reclassified the unexpended balance of funds received at September 30, 2021. The technical bulletin requires that funds received before the applicable eligibility requirements are met should be accounted for as liabilities until the requirements are met. The City recorded the funds as revenue when received and reflected the unexpended portion of that revenue as restricted fund balance in prior year modified accrual basis financial statements. Consequently, a prior period adjustment of \$1,075,941 was recorded to reduce restricted fund balance and record a liability for unearned grants received, consistent with the referenced guidance, at the beginning of the current fiscal year to correct the prior year overstatement of revenue. In the full accrual basis, government-wide presentation, the unearned grants were presented in the prior year financial statements as deferred inflows. In the current year, those deferred inflows have been reclassified to liabilities.

Required Supplementary Information

CITY OF NEW ALBANY, MISSISSIPPI
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget Positive (Negative)
	Original	Final	Basis	
Revenues:				
Taxes	\$ 1,221,300	\$ 1,221,300	\$ 1,202,432	\$ (18,868)
Licenses and permits	139,450	151,565	155,565	4,000
Intergovernmental revenue	4,817,252	4,955,157	4,920,721	(34,436)
Charges for services	221,472	325,351	317,291	(8,060)
Fines and forfeitures	317,000	317,000	135,969	(181,031)
Investment earnings	15,500	15,500	8,109	(7,391)
Miscellaneous	110,500	110,500	106,927	(3,573)
Total Revenues	<u>6,842,474</u>	<u>7,096,373</u>	<u>6,847,014</u>	<u>(249,359)</u>
Expenditures:				
General government:				
Legislative:				
Personal services	134,450	134,450	127,582	6,868
Supplies	99	99	32	67
Other services and charges	12,775	12,775	7,925	4,850
	<u>147,324</u>	<u>147,324</u>	<u>135,539</u>	<u>11,785</u>
Judicial:				
Personal services	181,918	181,918	172,924	8,994
Supplies	5,600	5,600	5,243	357
Other services and charges	32,890	32,890	24,545	8,345
Capital outlay	-	-	-	-
	<u>220,408</u>	<u>220,408</u>	<u>202,712</u>	<u>17,696</u>
Executive:				
Personal services	172,218	177,081	177,081	-
Supplies	5,050	5,050	1,043	4,007
Other services and charges	8,400	8,400	4,826	3,574
Capital outlay	-	-	-	-
	<u>185,668</u>	<u>190,531</u>	<u>182,950</u>	<u>7,581</u>
Elections:				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	-	-	-	-
Capital outlay	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial:				
Personal services	159,410	159,410	150,983	8,427
Supplies	6,850	6,850	6,011	839
Other services and charges	82,225	82,225	74,978	7,247
	<u>248,485</u>	<u>248,485</u>	<u>231,972</u>	<u>16,513</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, 2022

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget Positive (Negative)
	Original	Final	Basis	
Expenditures - Continued:				
Legal:				
Personal services	95,717	96,688	96,688	-
Supplies	50	50	-	50
Other services and charges	7,750	7,750	3,730	4,020
	<u>103,517</u>	<u>104,488</u>	<u>100,418</u>	<u>4,070</u>
Building Inspector:				
Personal services	137,522	140,411	140,411	-
Supplies	13,250	13,250	7,894	5,356
Other services and charges	18,700	18,699	13,231	5,468
	<u>169,472</u>	<u>172,360</u>	<u>161,536</u>	<u>10,824</u>
Public property:				
Personal services	148,567	155,679	155,680	(1)
Supplies	10,950	10,950	6,466	4,484
Other services and charges	104,300	104,300	99,141	5,159
Capital outlay	10,000	11,983	11,982	1
	<u>273,817</u>	<u>282,912</u>	<u>273,269</u>	<u>9,643</u>
Miscellaneous:				
Personal services	10,000	10,000	5,275	4,725
Supplies	750	750	29	721
Other services and charges	362,974	362,974	344,493	18,481
	<u>373,724</u>	<u>373,724</u>	<u>349,797</u>	<u>23,927</u>
Public Safety:				
Police:				
Personal services	2,025,473	2,025,473	1,916,140	109,333
Supplies	152,200	220,271	220,271	-
Other services and charges	175,200	175,200	152,972	22,228
Capital outlay	42,500	42,500	23,598	18,902
	<u>2,395,373</u>	<u>2,463,444</u>	<u>2,312,981</u>	<u>150,463</u>
Fire:				
Personal services	1,277,581	1,277,581	1,251,279	26,302
Supplies	81,975	81,975	75,430	6,545
Other services and charges	64,150	64,150	53,574	10,576
Capital outlay	3,000	3,000	1,520	1,480
	<u>1,426,706</u>	<u>1,426,706</u>	<u>1,381,803</u>	<u>44,903</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, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures - Continued:				
Streets:				
Personal services	564,101	564,102	470,521	93,581
Supplies	157,751	157,751	155,806	1,945
Other services and charges	225,050	245,638	245,638	-
Capital outlay	40,000	40,000	31,943	8,057
	<u>986,902</u>	<u>1,007,491</u>	<u>903,908</u>	<u>103,583</u>
Recreation:				
Personal services	597,278	611,061	611,062	(1)
Supplies	207,950	272,851	270,677	2,174
Other services and charges	93,150	96,320	88,889	7,431
Capital outlay	27,700	27,700	29,406	(1,706)
	<u>926,078</u>	<u>1,007,932</u>	<u>1,000,034</u>	<u>7,898</u>
Other Financing Sources (Uses):				
Operating transfers in (out)	614,000	614,000	642,565	28,565
Proceeds from the disposal of capital assets	1,000	1,000	10,816	9,816
	<u>615,000</u>	<u>615,000</u>	<u>653,381</u>	<u>38,381</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	65,568	263,476	<u>\$ 197,908</u>
Fund balance - beginning of year	<u>2,443,531</u>	<u>2,399,813</u>	<u>2,878,065</u>	
Fund balance - end of year	<u>\$ 2,443,531</u>	<u>\$ 2,465,381</u>	<u>\$ 3,141,541</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budgetary basis			263,476	
Revenues and expense accruals, net			<u>(816,986)</u>	
Change in fund balance of operations general fund			(553,510)	
Change in fund balance of other funds accounted for as general funds				
Clearing accounts			355	
CDBG Grant funds			262	
Water and Sewer Improvement fund			2,437	
Street Improvement fund			1,108,724	
HUD Programs			-	
Health Reimbursement fund			3,229	
Unemployment Tax fund			39	
Flexible Spending fund			<u>-</u>	
Modified accrual basis			<u>\$ 561,536</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, 2022

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget Positive (Negative)
	Original	Final	Basis	
Revenues:				
Project donations	\$ 10,000	\$ 10,000	\$ -	(10,000)
Intergovernmental revenue	1,075,300	1,102,719	1,113,111	10,392
Miscellaneous revenue	1,000	1,000	1,068	68
Investment earnings	4,000	4,000	3,540	(460)
Total Revenues	1,090,300	1,117,719	1,117,719	-
Expenditures:				
General government:				
Heritage Museum				
Personal services	127,034	127,879	127,879	-
Other services and charges	36,380	36,380	36,380	-
Capital outlay	25,000	25,000	25,000	-
	188,414	189,259	189,259	-
City Beautification:				
Other services and charges	96,162	96,162	80,911	15,251
	96,162	96,162	80,911	15,251
Cine' Restoration:				
Other services and charges	15,000	15,000	15,000	-
Capital outlay	40,000	40,000	40,000	-
	55,000	55,000	55,000	-
Tourism & Marketing				
Personal services	228,267	228,267	160,295	67,972
Consumable supplies	134,768	134,768	126,037	8,731
	363,035	363,035	286,332	76,703
New Albany Main Street:				
Other services and charges	17,000	17,000	17,000	-
	17,000	17,000	17,000	-

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, 2022

	<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	246,099	246,099	225,858	20,241
Capital outlay	<u>124,590</u>	<u>124,590</u>	<u>108,561</u>	<u>16,029</u>
	<u>370,689</u>	<u>370,689</u>	<u>334,419</u>	<u>36,270</u>
 Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	 -	 26,574	 154,798	 <u>\$ 128,224</u>
 Fund balance - beginning of year	 <u>305,283</u>	 <u>305,283</u>	 <u>345,447</u>	
 Fund balance - end of year	 <u>\$ 305,283</u>	 <u>\$ 331,857</u>	 <u>\$ 500,245</u>	
 Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budgetary basis			 154,798	
 Revenue and expense accruals, net			 <u>20,800</u>	
 Modified accrual basis			 <u>\$ 175,598</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 9 Fiscal Years*

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

	<i>2022</i>	<i>2021</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>
City's proportion of the net pension liability	0.1181%	0.1187%	0.1126%	0.1127%	0.1088%	0.1065%	0.1031%	0.1039%	0.1001%
City's proportionate share of the net pension liability	\$ 21,998,214	\$ 19,382,049	\$ 21,188,881	\$ 19,460,620	\$ 18,087,555	\$ 18,128,584	\$ 17,576,074	\$ 14,925,261	\$ 12,721,932
City's covered-employee payroll	\$ 8,244,431	\$ 7,836,776	\$ 7,787,701	\$ 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	266.8251%	247.3217%	272.0813%	268.6680%	258.9320%	258.8908%	269.9005%	236.9712%	205.8827%
Plan fiduciary net position as a percentage of the total pension liability	59.9343%	70.4374%	58.9735%	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

	<i>2022</i>	<i>2021</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>
Contractually required contribution	\$ 1,434,531	\$ 1,363,599	\$ 1,355,060	\$ 1,140,831	\$ 1,100,162	\$ 1,102,879	\$ 1,025,649	\$ 991,989	\$ 973,226
Contributions in relation to contractually required contribution	<u>(1,434,531)</u>	<u>(1,363,599)</u>	<u>(1,355,060)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 8,244,431	\$ 7,836,776	\$ 7,787,701	\$ 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	17.40%	17.40%	17.40%	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, 2022

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

- 2021
 - The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77.
 - For females, 84% of female rates up to age 72 and 100% for ages above 76.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
 - The expectation of disabled mortality was changed to PubG.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 134% of male rates at all ages.
 - For females, 121% for female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
 - The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
 - For males, 97% of male rates at all ages.
 - For females, 110% for female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
 - The price inflation assumption was reduced from 2.75% to 2.40%.
 - The wage inflation assumption was reduced from 3.00% to 2.65%.
 - The investment rate of return assumption was changed from 7.75% to 7.55%.
 - The assumed load for administrative expenses was increased from 0.25% to 0.28% of pay- roll.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
 - The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

CITY OF NEW ALBANY, MISSISSIPPI

Notes to the Required Supplementary Information September 30, 2022

Changes in assumptions (continued)

- 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, 2022

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, 2020 valuation for the June 30, 2022 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	27.7 years
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Salary increase	3.00 percent to 18.25 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, 2022

	General Fund	CDBG Water Project	Special Opportunities CDBG Grant	Home Improvement Fund	Unemploy- ment Tax	Accounts Payable Clearing	Payroll Clearing	Tax Collector's Clearing	Flexible Spending Fund	Health Reimburse- ment Fund	Water & Sewer Improvement Fund	Street Improvement Fund	Total General Funds
ASSETS													
Cash	\$ 906,178	\$ 4,215	\$ 47,696	\$ 60	\$ 1,736	\$ (257)	\$ (7,031)	\$ 169	\$ 7,470	\$ 23,669	\$ 132,496	\$ 3,011,492	\$ 4,127,893
Investments	1,132,500	-	-	-	15,334	-	-	-	-	-	655,044	-	1,802,878
Prepaid expenses	12,372	-	-	-	-	-	-	-	-	-	-	-	12,372
Accounts receivable	2,006,839	-	832	-	-	-	-	264	-	-	788	15,352	2,024,075
	<u>4,057,889</u>	<u>4,215</u>	<u>48,528</u>	<u>60</u>	<u>17,070</u>	<u>(257)</u>	<u>(7,031)</u>	<u>433</u>	<u>7,470</u>	<u>23,669</u>	<u>788,328</u>	<u>3,026,844</u>	<u>7,967,218</u>
LIABILITIES													
Accounts payable and accrued expenses	\$ 348,188	\$ -	\$ -	\$ -	\$ 17,031	\$ (277)	\$ (8,947)	\$ 433	\$ 7,470	\$ -	\$ -	\$ (3,611)	\$ 360,287
Unearned grants received	-	-	-	-	-	-	-	-	-	-	-	-	-
	<u>348,188</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,031</u>	<u>(277)</u>	<u>(8,947)</u>	<u>433</u>	<u>7,470</u>	<u>-</u>	<u>-</u>	<u>(3,611)</u>	<u>360,287</u>
DEFERRED INFLOWS OF RESOURCES													
Advance payments received	82,150	-	-	-	-	-	-	-	-	-	-	-	82,150
Unavailable taxes & revenues	1,276,202	-	-	-	-	-	-	-	-	-	-	-	1,276,202
	<u>1,358,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,358,352</u>
FUND BALANCES													
Restricted	-	-	-	-	-	-	-	-	-	-	-	-	-
Committed	500,000	-	-	-	-	-	-	-	-	-	-	-	500,000
Assigned	-	4,215	48,528	60	39	-	-	-	-	23,669	788,328	3,030,455	3,895,294
Unassigned	1,851,349	-	-	-	-	20	1,916	-	-	-	-	-	1,853,285
	<u>2,351,349</u>	<u>4,215</u>	<u>48,528</u>	<u>60</u>	<u>39</u>	<u>20</u>	<u>1,916</u>	<u>-</u>	<u>-</u>	<u>23,669</u>	<u>788,328</u>	<u>3,030,455</u>	<u>6,248,579</u>
	<u>\$ 4,057,889</u>	<u>\$ 4,215</u>	<u>\$ 48,528</u>	<u>\$ 60</u>	<u>\$ 17,070</u>	<u>\$ (257)</u>	<u>\$ (7,031)</u>	<u>\$ 433</u>	<u>\$ 7,470</u>	<u>\$ 23,669</u>	<u>\$ 788,328</u>	<u>\$ 3,026,844</u>	<u>\$ 7,967,218</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, 2022

	General Fund	CDBG Water Project	Special Opportunities CDBG Grant	Home Improvement Fund	Unemployment Tax	Accounts Payable Clearing	Payroll Clearing	Tax Collector's Clearing	Flexible Spending Fund	Health Reimbursement Fund	Water & Sewer Improvement Fund	Street Improvement Fund	Total General Funds
Revenues:													
Property taxes	\$ 1,313,434	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 528,065	\$ 1,841,499
Sales taxes	4,297,965	-	-	-	-	-	-	-	-	-	-	-	4,297,965
Franchise and other taxes	43,737	-	-	-	-	-	-	-	-	-	-	-	43,737
Charges for services	651,939	-	-	-	-	-	-	-	-	-	-	-	651,939
Grants and other intergov- ernmental revenue	533,452	-	-	-	-	-	-	-	-	-	-	623,231	1,156,683
Investment earnings	10,848	21	241	-	39	-	355	-	-	84	2,437	11,290	25,315
Total Revenues	<u>6,851,375</u>	<u>21</u>	<u>241</u>	<u>-</u>	<u>39</u>	<u>-</u>	<u>355</u>	<u>-</u>	<u>-</u>	<u>84</u>	<u>2,437</u>	<u>1,162,586</u>	<u>8,017,138</u>
Expenditures:													
General government	1,621,543	-	-	-	-	-	-	-	-	16,855	-	2,694	1,641,092
Public safety	3,665,818	-	-	-	-	-	-	-	-	-	-	-	3,665,818
Public works	801,966	-	-	-	-	-	-	-	-	-	-	-	801,966
Culture and recreation	966,010	-	-	-	-	-	-	-	-	-	-	-	966,010
Debt service:													
Principal	102,585	-	-	-	-	-	-	-	-	-	-	-	102,585
Interest and other charges	27,181	-	-	-	-	-	-	-	-	-	-	-	27,181
Capital outlay	1,027,460	-	-	-	-	-	-	-	-	-	-	51,168	1,078,628
Total Expenditures	<u>8,212,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,855</u>	<u>-</u>	<u>53,862</u>	<u>8,283,280</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,361,188)</u>	<u>21</u>	<u>241</u>	<u>-</u>	<u>39</u>	<u>-</u>	<u>355</u>	<u>-</u>	<u>-</u>	<u>(16,771)</u>	<u>2,437</u>	<u>1,108,724</u>	<u>(266,142)</u>
Other Financing Sources (Uses):													
Transfers in	669,000	-	-	-	-	-	-	-	-	20,000	-	-	689,000
Transfers out	(30,680)	-	-	-	-	-	-	-	-	-	-	-	(30,680)
Sale of property and equipment	26,784	-	-	-	-	-	-	-	-	-	-	-	26,784
Loan proceeds	142,574	-	-	-	-	-	-	-	-	-	-	-	142,574
Total Other Financing Sources (Uses)	<u>807,678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>827,678</u>
Net Change in Fund Balances	<u>(553,510)</u>	<u>21</u>	<u>241</u>	<u>-</u>	<u>39</u>	<u>-</u>	<u>355</u>	<u>-</u>	<u>-</u>	<u>3,229</u>	<u>2,437</u>	<u>1,108,724</u>	<u>561,536</u>
Fund balances - beginning	<u>2,904,859</u>	<u>4,194</u>	<u>48,287</u>	<u>60</u>	<u>-</u>	<u>20</u>	<u>1,561</u>	<u>-</u>	<u>-</u>	<u>20,440</u>	<u>785,891</u>	<u>1,921,731</u>	<u>5,687,043</u>
Fund balances - ending	<u>\$ 2,351,349</u>	<u>\$ 4,215</u>	<u>\$ 48,528</u>	<u>\$ 60</u>	<u>\$ 39</u>	<u>\$ 20</u>	<u>\$ 1,916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,669</u>	<u>\$ 788,328</u>	<u>\$ 3,030,455</u>	<u>\$ 6,248,579</u>

CITY OF NEW ALBANY, MISSISSIPPI

Combining Balance Sheets - Nonmajor Governmental Funds

September 30, 2022

	Special Revenue											
	Keep NA/UC Beautiful	COPS	Fire Protection	Local Records Manage- ment	NA/UC Drug Task Force	Dare Program	Law Enforce- ment	Talla- hatchie River Players	Freedom Celebration 2007	CAP Loans	Police/ Sheriff Stimulus Funds	Total Special Revenue Funds
ASSETS												
Cash	\$ 27,291	\$ 12	\$ 859,426	\$ 4,755	\$ 142,556	\$ 1,876	\$ 8	\$ 2,750	\$ 3,879	\$ 25,576	\$ 23	\$ 1,068,152
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	2,199	-	743	-	-	-	-	-	-	2,942
Lease receivable	-	-	-	-	-	-	-	-	-	54,678	-	54,678
	<u>\$ 27,291</u>	<u>\$ 12</u>	<u>\$ 861,625</u>	<u>\$ 4,755</u>	<u>\$ 143,299</u>	<u>\$ 1,876</u>	<u>\$ 8</u>	<u>\$ 2,750</u>	<u>\$ 3,879</u>	<u>\$ 80,254</u>	<u>\$ 23</u>	<u>\$ 1,125,772</u>
LIABILITIES												
Accounts payable and accrued expenses	\$ (132)	\$ -	\$ 1,293	\$ 323	\$ 10,290	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,774
Unearned grants	-	-	-	-	-	-	-	-	-	-	-	-
	<u>(132)</u>	<u>-</u>	<u>1,293</u>	<u>323</u>	<u>10,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,774</u>
DEFERRED INFLOWS OF RESOURCES												
Advance payments	-	-	-	-	-	-	-	-	-	-	-	-
Lease principal	-	-	-	-	-	-	-	-	-	50,056	-	50,056
Lease interest	-	-	-	-	-	-	-	-	-	4,327	-	4,327
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,383</u>	<u>-</u>	<u>54,383</u>
FUND BALANCE												
Restricted	-	-	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-	-	-
Assigned	27,423	12	860,332	4,432	133,009	1,876	8	2,750	3,879	25,871	23	1,059,615
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-
	<u>27,423</u>	<u>12</u>	<u>860,332</u>	<u>4,432</u>	<u>133,009</u>	<u>1,876</u>	<u>8</u>	<u>2,750</u>	<u>3,879</u>	<u>25,871</u>	<u>23</u>	<u>1,059,615</u>
	<u>\$ 27,291</u>	<u>\$ 12</u>	<u>\$ 861,625</u>	<u>\$ 4,755</u>	<u>\$ 143,299</u>	<u>\$ 1,876</u>	<u>\$ 8</u>	<u>\$ 2,750</u>	<u>\$ 3,879</u>	<u>\$ 80,254</u>	<u>\$ 23</u>	<u>\$ 1,125,772</u>

CITY OF NEW ALBANY, MISSISSIPPI

Combining Balance Sheets - Nonmajor Governmental Funds (Continued)

September 30, 2022

	<u>Debt Service</u>		<u>Capital Projects</u>									
	<u>Industrial</u>	<u>Total</u>	<u>Park</u>		<u>House</u>	<u>Magnolia</u>	<u>NA/UC</u>	<u>Economic</u>	<u>American</u>	<u>Energy</u>	<u>Total</u>	<u>Total</u>
	<u>Park</u>	<u>Debt Service</u>	<u>Along the</u>	<u>Sportsplex</u>	<u>Bill</u>	<u>Civic</u>	<u>Airport</u>	<u>& Industrial</u>	<u>Rescue</u>	<u>Efficient</u>	<u>Capital</u>	<u>All</u>
	<u>Park</u>	<u>Funds</u>	<u>River</u>		<u>1353</u>	<u>Center</u>	<u>Grant</u>	<u>Develop-</u>	<u>Plan</u>	<u>Street</u>	<u>Project</u>	<u>Nonmajor</u>
								<u>ment</u>		<u>Lights</u>	<u>Funds</u>	<u>Funds</u>
ASSETS												
Cash	\$ 256	\$ 256	\$ 79,071	3,211	250,000	\$ 24,377	\$ 6,490	\$ 9,848	\$ 1,820,308	\$ -	\$ 2,193,305	\$ 3,261,713
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	286	286	-	-	-	-	262,693	32,427	-	-	295,120	298,348
Lease receivable	-	-	-	-	-	-	-	-	-	-	-	54,678
	<u>\$ 542</u>	<u>\$ 542</u>	<u>\$ 79,071</u>	<u>\$ 3,211</u>	<u>\$ 250,000</u>	<u>\$ 24,377</u>	<u>\$ 269,183</u>	<u>\$ 42,275</u>	<u>\$ 1,820,308</u>	<u>\$ -</u>	<u>\$ 2,488,425</u>	<u>\$ 3,614,739</u>
LIABILITIES												
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,340	\$ 215,234	\$ 32,427	\$ 125,305	\$ -	\$ 376,306	\$ 388,080
Unearned grants	-	-	-	-	-	-	-	-	1,689,178	-	1,689,178	1,689,178
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,340</u>	<u>215,234</u>	<u>32,427</u>	<u>1,814,483</u>	<u>-</u>	<u>2,065,484</u>	<u>2,077,258</u>
DEFERRED INFLOWS OF RESOURCES												
Advance payments	-	-	-	-	-	-	-	-	-	-	-	-
Lease principal	-	-	-	-	-	-	-	-	-	-	-	50,056
Lease interest	-	-	-	-	-	-	-	-	-	-	-	4,327
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,383</u>
FUND BALANCE												
Restricted	542	542	-	-	250,000	-	53,949	9,848	5,825	-	319,622	320,164
Committed	-	-	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	79,071	3,211	-	21,037	-	-	-	-	103,319	1,162,934
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-
	<u>542</u>	<u>542</u>	<u>79,071</u>	<u>3,211</u>	<u>250,000</u>	<u>21,037</u>	<u>53,949</u>	<u>9,848</u>	<u>5,825</u>	<u>-</u>	<u>422,941</u>	<u>1,483,098</u>
	<u>\$ 542</u>	<u>\$ 542</u>	<u>\$ 79,071</u>	<u>\$ 3,211</u>	<u>\$ 250,000</u>	<u>\$ 24,377</u>	<u>\$ 269,183</u>	<u>\$ 42,275</u>	<u>\$ 1,820,308</u>	<u>\$ -</u>	<u>\$ 2,488,425</u>	<u>\$ 3,614,739</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, 2022

	Special Revenue											Total
	Keep NA/UC Beautiful	COPS	Fire Protection	Local Records Manage- ment	NA/UC Drug Task Force	Dare Program	Law Enforce- ment	Talla- hatchie River Players	Freedom Celebration 2007	CAP Loans	Police/ Sheriff Stimulus Funds	Special Revenue Funds
Revenues:												
Property taxes	\$ -	\$ -	\$ 99,817	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,817
Charges for services	-	-	-	399	4,224	-	-	-	-	-	-	4,623
Grants and other intergov- ernmental revenue	-	-	100,625	-	53,012	-	-	-	-	-	-	153,637
Investment earnings	-	-	4,047	22	620	9	-	-	-	2,349	-	7,047
Total Revenues	-	-	204,489	421	57,856	9	-	-	-	2,349	-	265,124
Expenditures:												
General government	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	48,216	-	25,915	-	-	-	-	-	-	74,131
Public works	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	295	362	-	-	657
Debt service:												
Principal	-	-	-	-	-	-	-	-	-	29,734	-	29,734
Interest and other charges	-	-	-	-	-	-	-	-	-	6,336	-	6,336
Capital outlay	-	-	67,883	-	-	-	-	-	-	-	-	67,883
Total Expenditures	-	-	116,099	-	25,915	-	-	295	362	36,070	-	178,741
Excess (Deficiency) of Rev- enues over Expenditures	-	-	88,390	421	31,941	9	-	(295)	(362)	(33,721)	-	86,383
Other Financing Sources (Uses):												
Transfers in	25,000	-	-	-	-	-	-	-	-	-	-	25,000
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-
Lease principal payments	-	-	-	-	-	-	-	-	-	38,186	-	38,186
Loan proceeds	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Souces (Uses)	25,000	-	-	-	-	-	-	-	-	38,186	-	63,186
Net Change in Fund Balances	25,000	-	88,390	421	31,941	9	-	(295)	(362)	4,465	-	149,569
Fund balances - beginning	2,423	12	771,942	4,011	101,068	1,867	8	3,045	4,241	21,406	23	910,046
Fund balances - ending	\$ 27,423	\$ 12	\$ 860,332	\$ 4,432	\$ 133,009	\$ 1,876	\$ 8	\$ 2,750	\$ 3,879	\$ 25,871	\$ 23	\$ 1,059,615

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, 2022

	<u>Debt Service</u>		<u>Capital Projects</u>									
	<u>Industrial</u>	<u>Total</u>	<u>Park</u>		<u>House</u>	<u>Magnolia</u>	<u>NA/UC</u>	<u>Economic</u>	<u>American</u>	<u>Energy</u>	<u>Total</u>	<u>Total</u>
	<u>Park</u>	<u>Debt Service</u>	<u>Along the</u>	<u>Sportsplex</u>	<u>Bill</u>	<u>Civic</u>	<u>Airport</u>	<u>& Industrial</u>	<u>Rescue</u>	<u>Efficient</u>	<u>Capital</u>	<u>All</u>
		<u>Funds</u>	<u>River</u>		<u>1353</u>	<u>Center</u>	<u>Grant</u>	<u>Develop-</u>	<u>Plan</u>	<u>Street</u>	<u>Project</u>	<u>Nonmajor</u>
								<u>ment</u>		<u>Lights</u>	<u>Funds</u>	<u>Funds</u>
Revenues:												
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,817
Charges for services	-	-	-	-	-	58,224	-	-	-	-	58,224	62,847
Grants and other intergov-		-										
ernmental revenue	-	-	-	-	250,000	-	264,695	1,056,785	462,705	-	2,034,185	2,187,822
Investment earnings	<u>1</u>	<u>1</u>	<u>277</u>	<u>16</u>	<u>-</u>	<u>189</u>	<u>64</u>	<u>-</u>	<u>5,777</u>	<u>-</u>	<u>6,323</u>	<u>13,371</u>
Total Revenues	<u>1</u>	<u>1</u>	<u>277</u>	<u>16</u>	<u>250,000</u>	<u>58,413</u>	<u>264,759</u>	<u>1,056,785</u>	<u>468,482</u>	<u>-</u>	<u>2,098,732</u>	<u>2,363,857</u>
Expenditures:												
General government	-	-	-	-	-	-	62,352	109,878	-	-	172,230	172,230
Public safety	-	-	-	-	-	-	-	-	-	-	-	74,131
Public works	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	100	-	-	99,172	-	-	-	-	99,272	99,929
Debt service:												
Principal	-	-	-	-	-	-	-	-	-	-	-	29,734
Interest and other charges	-	-	-	-	-	-	-	-	-	-	-	6,336
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,415</u>	<u>189,347</u>	<u>1,056,111</u>	<u>-</u>	<u>1,318,066</u>	<u>2,607,939</u>	<u>2,675,822</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>143,587</u>	<u>251,699</u>	<u>1,165,989</u>	<u>-</u>	<u>1,318,066</u>	<u>2,879,441</u>	<u>3,058,182</u>
Excess (Deficiency) of Rev-												
enues over Expenditures	<u>1</u>	<u>1</u>	<u>177</u>	<u>16</u>	<u>250,000</u>	<u>(85,174)</u>	<u>13,060</u>	<u>(109,204)</u>	<u>468,482</u>	<u>(1,318,066)</u>	<u>(780,709)</u>	<u>(694,325)</u>
Other Financing Sources (Uses):												
Transfers in	-	-	25,000	-	-	55,000	-	-	-	-	80,000	105,000
Transfers out	-	-	-	-	-	-	-	-	(462,705)	-	(462,705)	(462,705)
Lease principal payments	-	-	-	-	-	-	-	-	-	-	-	38,186
Loan proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing												
Souces (Uses)	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>55,000</u>	<u>-</u>	<u>-</u>	<u>(462,705)</u>	<u>-</u>	<u>(382,705)</u>	<u>(319,519)</u>
Net Change in Fund Balances	<u>1</u>	<u>1</u>	<u>25,177</u>	<u>16</u>	<u>250,000</u>	<u>(30,174)</u>	<u>13,060</u>	<u>(109,204)</u>	<u>5,777</u>	<u>(1,318,066)</u>	<u>(1,163,414)</u>	<u>(1,013,844)</u>
Fund balances - beginning - as												
previously stated	541	541	53,894	3,195	-	51,211	40,889	119,052	1,075,989	1,318,066	2,662,296	3,572,883
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,075,941)</u>	<u>-</u>	<u>(1,075,941)</u>	<u>(1,075,941)</u>
Fund balances, beginning - as restated	<u>541</u>	<u>541</u>	<u>53,894</u>	<u>3,195</u>	<u>-</u>	<u>51,211</u>	<u>40,889</u>	<u>119,052</u>	<u>48</u>	<u>1,318,066</u>	<u>1,586,355</u>	<u>2,496,942</u>
Fund balances - ending	<u>\$ 542</u>	<u>\$ 542</u>	<u>\$ 79,071</u>	<u>\$ 3,211</u>	<u>\$ 250,000</u>	<u>\$ 21,037</u>	<u>\$ 53,949</u>	<u>\$ 9,848</u>	<u>\$ 5,825</u>	<u>\$ -</u>	<u>\$ 422,941</u>	<u>\$ 1,483,098</u>

CITY OF NEW ALBANY, MISSISSIPPI

Combining Statement of Fund Net Position - Nonmajor Proprietary Funds

September 30, 2022

	Solid Waste Disposal Fund	Solid Waste Capital Fund	Total Solid Waste Funds	NA/UC Airport Fuel Fund	NA/UC Airport Operations Fund	Total NA/UC Airport Funds	Total Nonmajor Enterprise Funds
ASSETS							
Current Assets							
Cash and cash equivalents	\$ 70,482	\$ 737,825	\$ 808,307	\$ 12,952	\$ 23,890	\$ 36,842	\$ 845,149
Accounts receivable	62,352	-	62,352	-	3,354	3,354	65,706
Total current assets	132,834	737,825	870,659	12,952	27,244	40,196	910,855
Noncurrent Assets							
Capital assets:							
Machinery and equipment	1,157,908	-	1,157,908	-	31,991	31,991	1,189,899
Less: accumulated depreciation	(1,046,289)	-	(1,046,289)	-	(27,612)	(27,612)	(1,073,901)
Total non-current assets	111,619	-	111,619	-	4,379	4,379	115,998
DEFERRED OUTFLOWS							
Pension plan	297,265	-	297,265	-	-	-	297,265
Total assets and Deferred Outflows	541,718	737,825	1,279,543	12,952	31,623	44,575	1,324,118
LIABILITIES AND NET ASSETS							
Current liabilities							
Accounts payable and accrued expenses	61,431	-	61,431	1,425	1,990	3,415	64,846
Total current liabilities	61,431	-	61,431	1,425	1,990	3,415	64,846
Noncurrent liabilities							
Pension liability	963,495	-	963,495	-	-	-	963,495
Total noncurrent liabilities	963,495	-	963,495	-	-	-	963,495
DEFERRED INFLOWS							
Pension plan	-	-	-	-	-	-	-
NET POSITION							
Invested in capital assets, net of related debt	111,619	-	111,619	-	4,379	4,379	115,998
Unrestricted	(594,827)	737,825	142,998	11,527	25,254	36,781	179,779
Total net position	\$ (483,208)	\$ 737,825	\$ 254,617	\$ 11,527	\$ 29,633	\$ 41,160	\$ 295,777

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, 2022

	Solid Waste Disposal Fund	Solid Waste Capital Fund	Total Solid Waste Funds	NA/UC Airport Fuel Fund	NA/UC Airport Operations Fund	Total NA/UC Airport Funds	Total Nonmajor Enterprise Funds
Operating revenues:							
Charges for services	\$ 791,961	\$ -	\$ 791,961	\$ 40,474	\$ 25,100	\$ 65,574	\$ 857,535
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>791,961</u>	<u>-</u>	<u>791,961</u>	<u>40,474</u>	<u>25,100</u>	<u>65,574</u>	<u>857,535</u>
Operating expenses:							
Depreciation and amortization	11,663	-	11,663	-	1,824	1,824	13,487
Operation and maintenance	<u>940,550</u>	<u>369</u>	<u>940,919</u>	<u>46,257</u>	<u>42,578</u>	<u>88,835</u>	<u>1,029,754</u>
Total operating expenses	<u>952,213</u>	<u>369</u>	<u>952,582</u>	<u>46,257</u>	<u>44,402</u>	<u>90,659</u>	<u>1,043,241</u>
Operating income (loss)	<u>(160,252)</u>	<u>(369)</u>	<u>(160,621)</u>	<u>(5,783)</u>	<u>(19,302)</u>	<u>(25,085)</u>	<u>(185,706)</u>
Non-operating revenues (expenses)							
Interest income	345	3,631	3,976	81	3	84	4,060
Property taxes	-	72,330	72,330	-	-	-	72,330
Intergovernmental revenue	<u>-</u>	<u>2,826</u>	<u>2,826</u>	<u>-</u>	<u>10,668</u>	<u>10,668</u>	<u>13,494</u>
Total nonoperating revenues (expenses)	<u>345</u>	<u>78,787</u>	<u>79,132</u>	<u>81</u>	<u>10,671</u>	<u>10,752</u>	<u>89,884</u>
Income (loss) before operating transfers	(159,907)	78,418	(81,489)	(5,702)	(8,631)	(14,333)	(95,822)
Transfers in (out)	<u>40,000</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>10,680</u>	<u>10,680</u>	<u>10,680</u>
Change in net position	(119,907)	38,418	(81,489)	(5,702)	2,049	(3,653)	(85,142)
Net position, beginning	<u>(363,301)</u>	<u>699,407</u>	<u>336,106</u>	<u>17,229</u>	<u>27,584</u>	<u>44,813</u>	<u>380,919</u>
Net position, ending	<u><u>\$ (483,208)</u></u>	<u><u>\$ 737,825</u></u>	<u><u>\$ 254,617</u></u>	<u><u>\$ 11,527</u></u>	<u><u>\$ 29,633</u></u>	<u><u>\$ 41,160</u></u>	<u><u>\$ 295,777</u></u>

CITY OF NEW ALBANY, MISSISSIPPI

Combining Statement of Cash Flows - Nonmajor Proprietary Funds

For the year Ended September 30, 2022

	Waste Disposal	New Albany/ Union County Airport	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Cash received from customers	\$ 802,416	\$ 66,004	\$ 868,420
Cash payments to suppliers for goods and services	(1,366,741)	(88,575)	(1,455,316)
Cash payments to employees	475,598	-	475,598
Net cash provided by (used in) operating activities	<u>(88,727)</u>	<u>(22,571)</u>	<u>(111,298)</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	75,150	10,668	85,818
Payments for acquisition of capital assets	-	-	-
Net cash provided by (used in) capital and related financing activities	<u>75,150</u>	<u>10,668</u>	<u>85,818</u>
Cash flows from investing activities:			
Interest on investments	3,976	84	4,060
Net change in cash	(9,601)	(1,139)	(10,740)
Cash and cash equivalents at beginning of year	817,908	37,981	855,889
Cash and cash equivalents at end of year	<u>\$ 808,307</u>	<u>\$ 36,842</u>	<u>\$ 845,149</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (160,621)	\$ (25,085)	\$ (185,706)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	11,663	1,824	13,487
Decrease (increase) in:			
Accounts receivable	10,455	430	10,885
Increase (decrease) in:			
Accounts payable and accrued expenses	22,538	260	22,798
Pension liability	222,213	-	222,213
Deferred inflows/outflows	(194,975)	-	(194,975)
Net cash provided by (used in) operating activities	<u>\$ (88,727)</u>	<u>\$ (22,571)</u>	<u>\$ (111,298)</u>

Other Supplemental Information

CITY OF NEW ALBANY, MISSISSIPPI

Schedule of Investments

September 30, 2022

Ownership	Investment Type	Interest Rate	Acquisition Date	Maturity Date	Depository	Investment Cost
General Fund	Certificate of Deposit	0.250%	04/08/22	03/08/23	BNA Bank	\$ 1,000,000
General Fund	Certificate of Deposit	1.095%	09/26/22	09/26/23	BNA Bank	132,500
Waste Disposal Fund	Certificate of Deposit	0.250%	04/01/22	03/01/23	BNA Bank	127,689
Waste Disposal Fund	Certificate of Deposit	0.250%	10/13/21	10/13/22	BNA Bank	527,355
Unemployment Fund	Certificate of Deposit	0.200%	03/27/22	10/29/22	BNA Bank	15,334
Gas Department	Certificate of Deposit	0.200%	05/24/22	12/24/22	BNA Bank	102,025
Gas Department	Certificate of Deposit	0.500%	07/29/22	07/27/23	BNA Bank	144,183
Gas Department	Certificate of Deposit	0.250%	05/09/22	05/09/23	BNA Bank	165,743
Gas Department	Certificate of Deposit	0.450%	05/07/22	11/07/23	BNA Bank	157,043
Gas Department	Certificate of Deposit	0.200%	05/04/22	11/04/22	BNA Bank	309,666
Water Department	Certificate of Deposit	0.200%	03/09/22	10/09/22	BNA Bank	214,342
Water Department	Certificate of Deposit	0.500%	07/27/22	07/27/23	BNA Bank	144,190
Water Department	Certificate of Deposit	0.200%	04/12/22	10/13/22	BNA Bank	140,355
Electric Department	Certificate of Deposit	0.500%	06/16/22	06/17/23	BNA Bank	230,806
Electric Department	Certificate of Deposit	0.450%	06/25/22	12/25/22	BNA Bank	241,632
Electric Department	Certificate of Deposit	0.200%	05/07/22	10/08/22	BNA Bank	121,057
Total Investments						<u>\$ 3,773,920</u>

CITY OF NEW ALBANY, MISSISSIPPI

Schedule of Surety Bonds for Municipal Officials

September 30, 2022

Insured	Position	Insurer	Bond
Joey Watson	Building Inspector Assistant	RLI Insurance Company	\$ 50,000
Eric Thomas	Building Inspector/Zoning Admin	RLI Insurance Company	\$ 50,000
Chris Robertson	Chief of Police	RLI Insurance Company	\$ 50,000
Frankie Roberts	City Clerk	Brierfield Insurance	\$ 50,000
Maxine Bradley	Court Clerk	Brierfield Insurance	\$ 50,000
Paulette Coltharp	Court Clerk	RLI Insurance Company	\$ 50,000
William Anderson	Deputy Clerk	RLI Insurance Company	\$ 50,000
Jeane Browning	Deputy Clerk	RLI Insurance Company	\$ 50,000
John B Clayton	Deputy Clerk	RLI Insurance Company	\$ 50,000
Tiffany Gates	Deputy Clerk	Brierfield Insurance	\$ 50,000
Megan Kirk	Deputy Clerk	RLI Insurance Company	\$ 50,000
Debbie Hays	Deputy Clerk	RLI Insurance Company	\$ 50,000
Elizabeth McGinty	Deputy Clerk	RLI Insurance Company	\$ 50,000
Andrew Dillard	Notary Bond	RLI Insurance Company	\$ 5,000
Tiffany Gates	Notary Bond	RLI Insurance Company	\$ 5,000
Megan Kirk	Notary Bond	RLI Insurance Company	\$ 5,000
Frankie Roberts	Notary Bond	RLI Insurance Company	\$ 5,000
Jamie Patterson	Administrative Assistant	RLI Insurance Company	\$ 50,000
Chase Jeter	Parks Dept.	RLI Insurance Company	\$ 50,000
Natalie Moody	Parks Dept.	RLI Insurance Company	\$ 50,000
William Anderson	Policeman	RLI Insurance Company	\$ 50,000
Lilianna Castillo	Policeman	RLI Insurance Company	\$ 50,000
Jeff Chism	Policeman	RLI Insurance Company	\$ 50,000
Brandon Clayton	Policeman	RLI Insurance Company	\$ 50,000
Mark Cossitt	Policeman	Brierfield Insurance	\$ 25,000
Stuart Dodds	Policeman	Brierfield Insurance	\$ 50,000
Phillip Doyle	Policeman	RLI Insurance Company	\$ 50,000
Michael Erby	Policeman	RLI Insurance Company	\$ 50,000
Justin Gregory	Policeman	RLI Insurance Company	\$ 50,000
Kevin Johnson	Policeman	RLI Insurance Company	\$ 50,000
London T Jordan	Policeman	RLI Insurance Company	\$ 50,000
Clayton Kenner	Policeman	RLI Insurance Company	\$ 50,000
Joe McDonald	Policeman	RLI Insurance Company	\$ 50,000
Jonathan Martin	Policeman	RLI Insurance Company	\$ 50,000
Sam Wicker Morris	Policeman	RLI Insurance Company	\$ 50,000
Stephen Nolen	Policeman	RLI Insurance Company	\$ 50,000
Brandon Pannell	Policeman	RLI Insurance Company	\$ 50,000
Dylan Reedeer	Policeman	RLI Insurance Company	\$ 50,000
Justin Williams	Policeman	RLI Insurance Company	\$ 50,000
E Williams	Policeman	RLI Insurance Company	\$ 50,000
Gabriel Wilson	Policeman	Brierfield Insurance	\$ 50,000
Regina Beaty	Utility Department	RLI Insurance Co	\$ 50,000
Christy Davis	Utility Department	RLI Insurance Co	\$ 50,000
Andy Dillard	Utility Department	RLI Insurance Co	\$ 50,000
Jessica Dixon	Utility Department	RLI Insurance Co	\$ 50,000
Keyla Dixon	Utility Department	RLI Insurance Co	\$ 50,000
Susie Foster	Utility Department	RLI Insurance Co	\$ 50,000
Wendy Speck	Utility Department	RLI Insurance Co	\$ 50,000
Donna Teague	Utility Department	Brierfield Insurance Co	\$ 50,000
Rob Anderson	Dispatcher	RLI Insurance Co	\$ 50,000
Marty Baker	Dispatcher	RLI Insurance Co	\$ 50,000
Kevin Cooper	Dispatcher	RLI Insurance Company	\$ 50,000
Doris Malone	Dispatcher	Brierfield Insurance Co	\$ 50,000
Jimmy R. Smith	Dispatcher	RLI Insurance Company	\$ 50,000

CITY OF NEW ALBANY, MISSISSIPPI

Schedule of Expenditures of Federal Awards

For the year Ended September 30, 2022

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Federal Grantor: Federal Aviation Administration		
Pass-through Grantor: Mississippi Department of Transportation		
Program Title: Airport Improvement Program		
Access Road and Terminal Area Improvements		
Grant ID: 3-28-0053-021-2020	20.106	\$ 28,867
Runway Sealcoat and Apply New Markings		
Grant ID: 3-28-0053-023-2021	20.106	215,888
COVID-19 - Airport Coronavirus Response Grant Program		
Grant ID: 3-28-0053-022-2020	20.106	4,145
COVID-19 - Airport Coronavirus Response Grant Program		
Grant ID: 3-28-0053-022-2021	20.106	9,000
COVID-19 - Airport Coronavirus Response Grant Program		
Grant ID: 3-28-0053-022-2022	20.106	<u>22,000</u>
<i>Total Federal Aviation Administration</i>		<u>279,900</u>
Federal Grantor: U.S. Department of the Interior - National Park Service		
Pass-through Grantor: State of Mississippi Department of Archives and History		
Program Title: Historic Preservation Fund Grants-In-Aid		
Grant ID: P21AF11045-00	15.904	<u>1,985</u>
<i>Total U.S. Department of the Interior</i>		<u>1,985</u>
Federal Grantor: U.S. Department of Housing and Urban Development		
Pass-through Grantor: Mississippi Development Authority		
Program Title: Community Development Block Grants		
Fusion Furniture Building and Truck Loading Yard Improvements		
Grant ID: CDBG# 1136-20-274-ED-01	14.228	1,133,562
Program Title: Community Development Block Grants		
Munsford Drive Road & Sewer Project		
Grant ID: CDBG# 1138-21-274-ED-01	14.228	<u>8,000</u>
<i>Total U.S. Department of Housing and Urban Development</i>		<u>1,141,562</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, 2022

<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 Agriculture		
Pass-through Grantor: Rural Utility Service		
Program Title: Water and Waste Disposal Systems for Rural Communities Sewer 2018		
Grant ID: USDA Grant #00-16	10.760	\$ 907,048
<i>Total U.S. Department of Agriculture</i>		<u>907,048</u>
Federal Grantor: U.S. Department of Treasury		
Pass-through Grantor: Mississippi Department of Finance & Administration		
Program Title: COVID-19 - Caronavirus State and Local Recovery Funds		
Grant ID: ARPA-0176-6M53I4	21.027	<u>462,705</u>
<i>Total U.S. Department of Treasury</i>		<u>462,705</u>
Total expenditures of federal awards		<u>\$ 2,793,200</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, 2022

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, 2022. 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

At September 30, 2022, outstanding loan balances for the program totaled \$10,197,227.

CITY OF NEW ALBANY, MISSISSIPPI

Schedule of Findings and Questioned Costs For the year ended September 30, 2022

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?	Yes

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
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
14.228	Community Development Block Grants
21.027	COVID-19 - Coronavirus State and Local Recovery Funds

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 (continued) For the year ended September 30, 2022

Section II-Financial Statement Findings

**Finding
Number**
2022-001

Material Weakness in Internal Control and Related Recommendations

Condition:

Water and Sewer Department personnel did not record prior year audit adjustments.

Criteria:

Post-closing audit adjustments and reversing entries should be recorded and resulting net assets should be reconciled to the audit report

Cause:

Personnel responsible for maintaining Water and Sewer Department books failed to post prior year adjusting and reversing entries provided by the auditor.

Effect:

The unadjusted balances for the Water and Sewer Departments' net assets accounts were misstated by material amounts requiring current year audit adjustments.

Recommendation:

Beginning account balances each subsequent year should be reconciled to the prior year audited financial statements to ensure all audit adjustments are recorded in the proper reporting period. This is a repeat finding from the prior year.

Management's Response:

Management concurs with the finding and has implemented recommended reconciliation procedures.

2022-002

Condition:

The Sewer Department failed to record a material transaction occurring in the 2019 Sewer Improvement Project account.

Criteria:

Account reconciliations should reconcile the ending account balance to the bank statement in a timely manner to ensure that all transactions are recorded, and differences should be investigated and corrected as necessary.

Cause:

Personnel reconciling the account were reconciling the account to their internal checkbook balance but not to the balance recorded on the general ledger.

Effect:

The general ledger balance for the 2019 Sewer Improvement Project account was understated by \$267,262 which required an audit adjustment to record unrecorded transactions.

Recommendation:

Reconciliation procedures should be established to ensure timely reconciliation to the general ledger rather than the checkbook balance. In addition, reconciling items should be researched with any necessary adjustments posted to the correct accounting period.

Management's Response:

Management concurs with the finding and has implemented recommended enhanced reconciliation procedures.

CITY OF NEW ALBANY, MISSISSIPPI

Schedule of Findings and Questioned Costs (continued) For the year ended September 30, 2022

Section II-Financial Statement Findings (continued)

Finding

Number

Material Weaknesses in Internal Control and Related Recommendations

2022-003

Condition:

The Electric Department general ledger period close at year end occurred before all significant payables were captured and recorded.

Criteria:

Accounting periods, particularly year-end periods should be held open to ensure that all accounts payables are recorded in the appropriate accounting period in order to ensure proper cutoff in the recognition of payables and related expenses.

Cause:

The general ledger for period 12 was closed before all accounts payable invoices for goods and services received prior to year-end were received and processed.

Effect:

Approximately \$426,000 of unrecorded payables were identified in conjunction with the audit, requiring audit adjustments to correct the period-end cutoff issue.

Recommendation:

Procedures should be implemented to ensure the general ledger period at year end is held open for a sufficient period to ensure that invoices for payables for goods and services received prior to year-end are processed and recorded in the appropriate accounting period.

Management's Response:

Management concurs with the findings and recommendations and will implement the recommendation prospectively

2022-004

Condition:

Mississippi Modernization Funds were recorded as a liability rather than as revenue in the street improvement fund

Criteria:

Allocations of the Mississippi Modernization Funds through the State of Mississippi are distributed to localities for the purpose of making improvements or repairs to water, sewer, or street infrastructure. The resources should be recorded as revenue as received.

Cause:

The City often records receipts as liabilities until a determination is made as to what projects such funds are earmarked for. The City never moved these funds to revenue.

Effect:

An audit adjustment for \$601,680 was required to properly reflect the amounts as revenue rather than liabilities.

Recommendation:

Future receipts under the program should be recorded as revenue in the street improvement fund.

Management's Response:

Management concurs with the findings and recommendations and will implement the recommendation prospectively

CITY OF NEW ALBANY, MISSISSIPPI

Schedule of Findings and Questioned Costs (continued) For the year ended September 30, 2022

Section II-Financial Statement Findings (continued)

Finding Number	<u>Significant Deficiencies in Internal Control and Related Recommendations</u>
2022-005	<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>
2022-006	<p>Condition: The payroll clearing bank account 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: Adjusting journal entries supplied to the City were posted to the general ledger twice.</p> <p>Effect: The payroll clearing account was overstated 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>

CITY OF NEW ALBANY, MISSISSIPPI

Schedule of Findings and Questioned Costs (continued) For the year ended September 30, 2022

Section II-Financial Statement Findings (continued)

<u>Finding Number</u>	<u>Significant Deficiencies in Internal Control and Related Recommendations</u>
2022-007	<p>Condition: The Electric department failed to accrue payroll at period end.</p> <p>Criteria: Payroll costs incurred prior to month-end and paid subsequent to month-end should be accrued in order to reflect costs in the appropriate period.</p> <p>Cause: After a change in administrative personnel, routine accrual of payroll was erroneously discontinued.</p> <p>Effect: Payroll costs for pay periods that include days prior to fiscal year end are recognized in the incorrect fiscal year.</p> <p>Recommendation: Accrued payroll should be computed and recorded on a monthly basis. This is an uncorrected repeat finding communicated in prior year.</p> <p>Management's Response: Management concurs with the findings and recommendations and will implement the recommendation prospectively.</p>
2022-008	<p>Condition: Short-term work orders created to track inventory issued during the month were added to construction in progress rather than expensed to overhead lines.</p> <p>Criteria: Repair parts inventory issued to linemen for repairs and maintenance to the system should be expensed rather than capitalized into construction in progress.</p> <p>Cause: During the fiscal year, the Department revised the methodology for tracking inventory issued for repairs of overhead and transmission lines. The revised methodology included the opening of a short-term work order. However, the failure to close the work order to expense on a monthly basis or set the work order as an expense work order resulted in the associated cost being capitalized rather than expensed during the fiscal year.</p> <p>Effect: An overstatement of capital assets and understatement of expense of approximately \$154,000, giving rise to an audit adjustment to correct the error.</p> <p>Recommendation: Materials issued from inventory for repair of existing facilities should be expensed as incurred whether or not the work order management system is employed as a means to track the issuance of inventory for these purposes.</p> <p>Management's Response: Management concurs with the findings and recommendations and will implement the recommendation prospectively.</p>

CITY OF NEW ALBANY, MISSISSIPPI

Schedule of Findings and Questioned Costs (continued) For the year ended September 30, 2022

Section II- Financial Statement Findings (continued)

**Finding
Number**
2022-009

Significant Deficiencies in Internal Control and Related Recommendations

Condition:

Transportation clearing was not closed to expense during the year nor was the transportation clearing distribution rate adjusted during the course of the year.

Criteria:

Transportation clearing is a suspense account where fleet costs are accumulated and distributed to expense or to construction work orders depending on usage. The distribution rate utilized to distribute transportation clearing either to expense or construction projects should be adjusted periodically to account for changes in related fleet costs.

Cause:

Increases in fuel costs and the implementation of a new fleet leasing program caused fleet operation costs to increase during the fiscal year with no corresponding increase in the distribution rate for transportation clearing.

Effect:

Transportation clearing reflected an undistributed balance in excess of \$70,000 at fiscal year-end, representing an understatement of expense and, to some degree, capital assets. An audit adjustment was prepared to correct the apparent error.

Recommendation:

The balance in the transportation clearing account should be periodically monitored and the distribution rate applied by the system should be adjusted such that the clearing account maintains a balance at or near zero throughout the year.

Management's Response:

Management concurs with the findings and recommendations and will implement the recommendation prospectively.

2022-010

Condition:

The stores expense distribution rate was not adjusted during the course of the year

Criteria:

Stores expense undistributed is, essentially, an inventoried overhead expense account. Stores expense is distributed to either expense or construction projects based on material usage. Stores expense undistributed should be reflect an appropriate allocation of warehouse costs to materials inventoried.

Cause:

Increases in materials issued from the warehouse during the year coupled with a distribution rate that was too high throughout the course of the year resulted in the stores expense undistributed account having a credit balance at fiscal year-end.

Effect:

An understatement of stores expense undistributed of approximately \$122,000 requiring an audit adjustment to correct the apparent error.

Recommendation:

The stores expense distribution rate should be periodically monitored and the distribution rate applied by the system should be adjusted such that the balance in stores expense undistributed is maintained at an appropriate value of warehouse overhead in relation to materials inventory.

Management's Response:

Management concurs with the findings and recommendations and will implement the recommendation prospective

CITY OF NEW ALBANY, MISSISSIPPI

Schedule of Findings and Questioned Costs (continued) For the year ended September 30, 2022

Section II- Financial Statement Findings (continued)

Finding Number	<u>Significant Deficiencies in Internal Control and Related Recommendations</u>
2022-011	<p>Condition: Work order closings for period 12 of the fiscal year were not performed until period 1 of the fiscal year ended June 30, 2023.</p> <p>Criteria: Work order closings should be performed in the appropriate fiscal year to ensure proper cutoff and facilitate accurate computation of depreciation by the plant ledger system.</p> <p>Cause: The general ledger for period 12 was closed before all long and short-term work orders were reconciled and routine work-order closing procedures were performed.</p> <p>Effect: The failure to transfer closed work-orders to the plant ledger in the appropriate accounting period results in the understatement of depreciation expense for the fiscal year.</p> <p>Recommendation: Procedures should be implemented to ensure the general ledger period at year end is held open for a sufficient period to ensure that all reconciliations are performed and work orders are closed in the correct fiscal period.</p> <p>Management's Response: Management concurs with the findings and recommendations and will implement the recommendation prospectively.</p>

CITY OF NEW ALBANY, MISSISSIPPI

Schedule of Findings and Questioned Costs (continued) For the year ended September 30, 2022

Section II- Financial Statement Findings (continued)

Finding Number	Noncompliance and Related Recommendations
2022-012	<p>Condition:</p> <p>The Sewer department ceased funding the Bond and Interest Fund related to the 2013 refunding bond during the course of the year. Consequently, at year end, the account was underfunded in relation to amounts required by the credit grantor by \$85,582.</p> <p>Criteria:</p> <p>The post-issuance compliance procedures included in the Series 2013 bond purchase agreement requires, among other covenants, that the Department maintain the Bond and Interest Fund in a manner that the Fund maintains a balance sufficient to make the next required interest and principal payment. The Sewer Department was funding the account monthly in amounts sufficient to comply with this requirement but ceased doing so during the course of the year.</p> <p>Cause:</p> <p>After making a large USDA note payment, the Sewer Department didn't have sufficient funds to continue funding the account in the manner prescribed in the underlying agreement and ceased making monthly transfers to the Bond and Interest Fund.</p> <p>Effect:</p> <p>The bond document requires deficiencies be rectified as soon as is practicable with the current debt service account having priority over other bond reserve accounts. Hence the deficiency is not an event of default under the agreement, however failure to maintain the Bond and Interest Fund in the manner prescribed in the agreements represents noncompliance with the terms of an agreement to which the Department is subject.</p> <p>Recommendation:</p> <p>The Department should resume monthly allocations to the Bond and Interest Fund as soon as is practicable in amounts sufficient to restore the account to an amount sufficient to service the next payment on a pro-rata basis</p> <p>Management's Response:</p> <p>Management concurs with the finding and intends to resume funding after the effect of a service rate increase provides for increased cash availability.</p>

CITY OF NEW ALBANY, MISSISSIPPI

Schedule of Findings and Questioned Costs (continued) For the year ended September 30, 2022

Section II- Financial Statement Findings (continued)

Finding Number	Noncompliance and Related Recommendations
2022-013	<p>Condition: The Sewer Department has not established nor funded separate reserve funds for USDA obligations as outlined in the related Letters of Condition</p> <p>Criteria: The USDA Letters of Condition associated with the borrowing to finance the ongoing sewer improvement project requires the establishment of a “Debt Service Reserve Fund” and a “Short Lived Asset Reserve Fund”.</p> <p>Cause: Personnel responsible for bookkeeping has failed to establish the necessary funds.</p> <p>Effect: The Debt Service Reserve Fund is understated by \$70,309 and the Short-Lived Asset Reserve Fund is understated by \$44,000 at fiscal year-end.</p> <p>Recommendation: The funds should be established and funded as quickly as possible in order to ensure compliance with the USDA Letters of Condition. This is a repeat finding from the prior year</p> <p>Management’s Response: Management concurs with the finding and has agreed to establish and fund the required reserve funds.</p>
2022-014	<p>Condition: Certain emergency purchases incurred by the Water Department for leaks and well pump repairs during the year failed to be presented to the board and included in the minutes.</p> <p>Criteria: Mississippi Code Section 31-7-13 defines an emergency purchase to include, in the case of a public utility, the failure of any machine or other thing used and useful in the generate, production, or distribution of electricity, water or natural gas, or in the transportation or treatment of sewage. Mississippi Code Section 31-7-1(f) requires that such emergency purchases, which are exempt from competitive bidding requirements of the Mississippi Purchase Laws, be presented at the meeting next following the emergency purchase or repair contract and should be included in the minutes</p> <p>Cause: The Department manager indicated that he did not think that repair contracts were included in the emergency purchase standards.</p> <p>Effect: Noncompliance with laws and regulations to which the Department is subject.</p> <p>Recommendation: Emergency repairs as specified in the referenced code section should be present-ed to the board and included in the minutes of the board meeting next following the emergency repair</p> <p>Management’s Response: Management concurs with the finding will present emergency repairs as outlined in the referenced code sections</p>

CITY OF NEW ALBANY, MISSISSIPPI

Schedule of Findings and Questioned Costs (continued) For the year ended September 30, 2022

Section III-Federal Award Findings and Questioned Costs

Finding Number	Noncompliance and Internal Control over Compliance and Related Recommendations
2022-015	<p>Condition: The City appears to have failed to comply with the Tier 5 reporting requirement associated with the American Recovery Plan (ARP) State and Local Fiscal Recovery Funds (SLFRF).</p> <p>Criteria: As a Tier 5 reporter, the City is required to submit an annual project expenditures report by April 30 each year reporting fiscal year expenditures occurring from April 1 through March 31 of the preceding fiscal year.</p> <p>Cause: The City Clerk thought that she had appropriately submitted the report in a timely fashion, however could not produce documentation to verify the submission. The auditor downloaded the April 2022 quarterly and annual reporting data and could not locate the City's expenditure of \$38,668 which occurred prior to March 31, 2022.</p> <p>Effect: Failure to comply with reporting requirements to which the federal award is subject.</p> <p>Recommendation: Future report submissions should be made on a timely basis with documentation retained of compliance with those reporting requirements. Future submissions should include the amounts which failed to be reported with the prior reporting period in order to appropriately reflect cumulative project costs on which the funds were expended.</p> <p>Management's Response: Management concurs with the finding and has agreed to establish and fund the required reserve funds.</p>
Finding Number	Other Matters
	None noted



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Independent Auditors' Report on Compliance with State Laws and Regulations

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

We have audited the 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, 2022 and have issued our report thereon dated February 28, 2023. 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.

Tupelo, Mississippi
February 28, 2023



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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, 2022, 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 28, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and 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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001 through 2022-004 to be material weaknesses.

A *significant deficiency* is a deficiency, or 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 the accompanying schedule of findings and questioned costs as items 2021-005 through 2021-011 to be significant deficiencies.

Report on Compliance and Other Matters

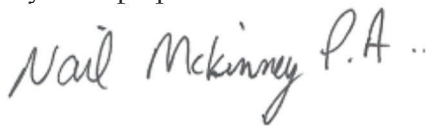
As part of obtaining reasonable assurance about whether the City of New Albany, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-012 through 2022-2015.

City of New Albany's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of New Albany, Mississippi management's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City of New Albany, Mississippi management's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 28, 2023



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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

Qualified and Unmodified Opinions

We have audited the City of New Albany, Mississippi's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

Qualified Opinion on COVID-19 – Coronavirus State and Local Recovery Funds

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the City of New Albany, Mississippi complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the COVID-19 – Coronavirus State and Local Recovery Funds for the year ended September 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City of New Albany, Mississippi 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2022.

Basis for Qualified and Unmodified Opinions

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of New Albany and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of New Albany's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on COVID-19 – Coronavirus State and Local Recovery Funds

As described in the accompanying schedule of findings and questioned costs, City of New Albany, Mississippi did

not comply with the requirements regarding Assistance Listing No. 21.027 COVID-19 – Coronavirus State and Local Recovery Funds as described in finding number 2022-015 for Reporting.

Compliance with such requirements is necessary, in our opinion, for City of New Albany, Mississippi to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of New Albany's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of New Albany's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of New Albany's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of New Albany's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of New Albany's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of New Albany's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. Given the limitations described in the preceding paragraph, during our audit we did not identify any deficiencies in internal control over compliance that we consider to material weaknesses as defined above.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-015 to be a significant deficiency.

Government Auditing Standards requires the auditor to perform limited procedures on City of New Albany, Mississippi's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. City of New Albany, Mississippi's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 28, 2023