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CITY OF ABERDEEN, MISSISSIPPI
BASIC FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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**CITY OF ABERDEEN, MISSISSIPPI
FOR THE YEAR ENDED SEPTEMBER 30, 2009
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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
Members of the Board of Aldermen
City of Aberdeen, Mississippi

I 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 Aberdeen, Mississippi (the City), as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Aberdeen, Mississippi's management. My responsibility is to express an opinion on the financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

The City of Aberdeen Electric Department's financial year ends on June 30th as required by regulatory bodies, and therefore, all statements and information relating to the Electric Department in this report are for the fiscal year beginning July 1, 2008 and ending June 30, 2009.

Management has not adopted a methodology for compiling complete and adequate subsidiary records documenting the existence, completeness and valuation of the fixed assets included in the governmental activities of the City. Accordingly, management has not calculated or provided any accumulated depreciation or depreciation expense or any provision for doubtful accounts related to the court fine receivables in the governmental activities of the City. The City incorrectly recorded interfund transactions payables/receivables & in/out as revenues/expenses. The City did not amortized intangible assets, (loan issuance costs) and omitted certain pension disclosures. Therefore, I was unable to form an opinion as to completeness regarding revenues and expenses in the accompanying Statement of Activities. Accounting principles generally accepted in the United States of America require that fixed assets, accumulated depreciation, depreciation expense, loan issuance costs and related provision for doubtful accounts be provided. Fixed assets, accumulated depreciation, depreciation expense, and related provision for doubtful accounts would increase the assets, net assets and expenses of the governmental activities of the City. The amount by which these departures would affect the assets, net assets and expenses of the governmental activities and other governmental funds is not reasonably determinable, but considered material.

In my opinion, because of the effect of the matters discussed in the preceding paragraph, the primary government financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining funds of the City of Aberdeen, Mississippi as of September 30, 2009, or the respective changes in financial position, thereof, for the year then ended.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 30, 2010, on my consideration of the City's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The budgetary comparison information on page 43 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Charles Buchanan, CPA

Jackson, MS
June 30, 2010

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF ABERDEEN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City of Aberdeen, Mississippi's annual financial report presents its discussion and analysis of financial performance during the fiscal year ended September 30, 2009. Please read it in conjunction with the City of Aberdeen financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

- The City's total assets decreased to \$27,809,174 or 2.6 % from \$28,554,998 in 2008.
- The City's total net assets decreased to \$18,091,318 or .9 % from \$18,261,239 in 2008.
- The City of Aberdeen's total debt decreased to \$6,850,389 or 6.1% from 7,293,983 in 2008. Debt for capital leases was issued in the amount of \$98,334 for the year.
- The City's total revenues increased to \$20,519,294 or 16% from \$17,696,092 in 2008.
- The City's total expenses increased to \$20,689,215 or 11.1% from \$18,629,389 in 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

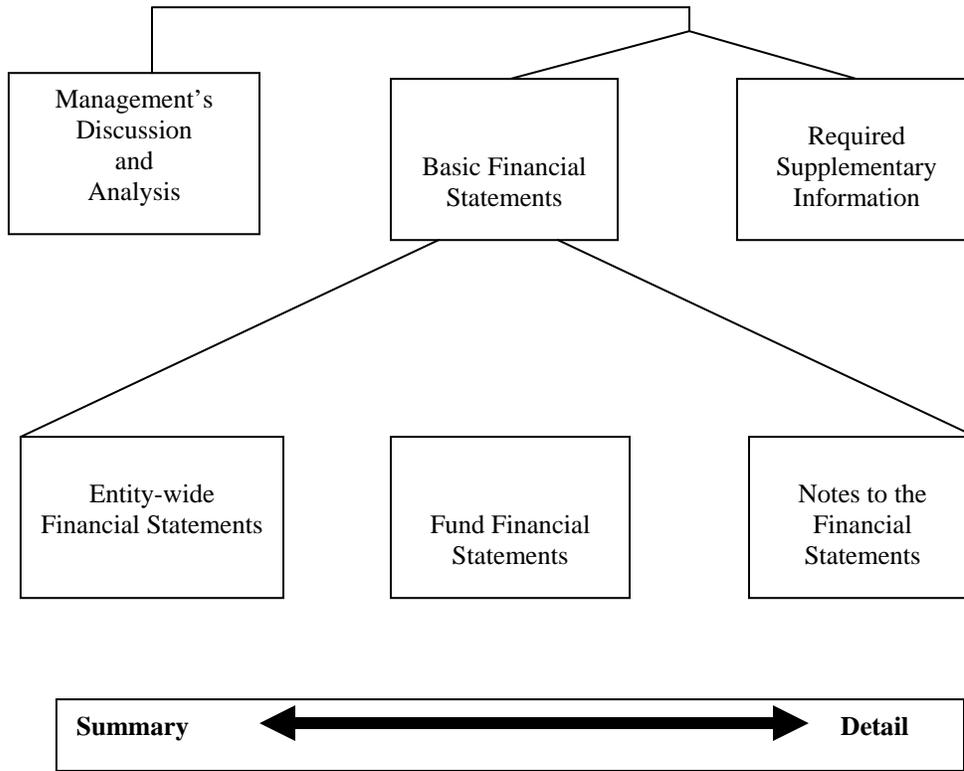
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *entity-wide financial statements* that provide both *short* and *long-term* information about the City's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City, reporting the operations in *more detail* than the entity-wide statements.
- The *governmental fund statements* show how basic services such as law enforcement and public works activities were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee* or *agent* for the benefit of other political subdivisions or agencies, including City employees, therefore, these statements are **excluded** from the entity-wide or government-wide statement of net assets and statement of activities.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the City's major program budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

**CITY OF ABERDEEN, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Table A-1: Organization of the City's Annual Financial Report



**CITY OF ABERDEEN, MISSISSIPPI
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Table A-2 summarizes the major features of the City's financial statements, including the portion of the City’s activities covered and information contained. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Table A-2: Major Features of the Entity-Wide and Fund Financial Statements

	Entity-Wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the City, such as law enforcement and public works activities	Instances in which the City administers resources on behalf of others, such as employee benefits
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term; funds do not contain capital assets, although they may
Type of inflow and outflow information	All revenues and expenses during year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

CITY OF ABERDEEN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Entity-Wide Statements

The entity-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the City's assets and liabilities. Current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two entity-wide statements report the City's *net assets* and how they have changed. Net assets, defined as the difference between the assets and liabilities, are a key measure of the financial health or position of the City.

- Over time, increases and decreases in net assets are indicators of whether the financial position has improved or deteriorated, respectively.
- For assessment of the overall health of the City, additional non-financial factors such as changes in the property tax base, condition of buildings, and other facilities should be considered.

Net assets of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Capital assets are reported as expenditures when financial resources (money) are expended to purchase or build assets. Borrowed resources are considered revenue when received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated if it does not provide or reduce current financial resources. Finally, capital assets and long-term debt are both accounted for in account groups and do not affect the fund balances.

Government-wide statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Assets:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate depreciation to the proper program/activities;
- Calculate revenues and expenses using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net asset balances as follows:
 - *Net Assets* invested in capital assets, net of related debt;
 - *Restricted net assets* are those with constraints placed on their use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation and,
 - *Unrestricted net assets* are net assets that do not meet any of the above restrictions.

Fund Financial Statements

The fund financial statements provide detailed information about the City's funds. Funds are accounting devices used to keep track of specific revenue sources and spending on particular programs. These funds have been established under the laws of the State of Mississippi.

The City has two types of funds:

- **Governmental funds:** Most basic services are included in governmental funds that generally focus on (1) how cash and other financial assets readily converted to cash flow in and out and (2) remaining balances available for spending. Governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the entity-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. In summary, the government fund statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general, special revenue, debt service, capital project, and permanent funds. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.
- **Fiduciary funds:** The City is the trustee or *fiduciary* for assets that belong to others, such as taxes or fees legally collected for other governments or agencies. The City must ensure that assets reported in these funds are used only for their intended purposes, and only by those authorized to use them. The City **excludes** these activities from the entity-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting is focused on net assets and changes in net assets. This report should be used to support the City's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post employment healthcare plans.

**CITY OF ABERDEEN, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's net assets decreased \$169,921 during 2009 as detailed in Tables A-3.

Table A- 3: Condensed Statement of Net Assets - Governmental Activities

	<u>Fiscal Year 2009</u>	<u>Fiscal Year 2008</u>	<u>Inc (dec)</u>	<u>%</u>
Assets				
Current assets	\$ 3,618,071	\$ 4,146,089	\$ (528,018)	-12.7%
Non-current assets	24,191,103	24,408,909	(217,806)	-0.9%
Total assets	<u>27,809,174</u>	<u>28,554,998</u>	<u>(745,824)</u>	<u>-2.6%</u>
Liabilities				
Current liabilities	3,095,828	3,078,450	17,378	0.6%
Long-term liabilities	6,622,028	7,215,309	(593,281)	-8.2%
Total liabilities	<u>9,717,856</u>	<u>10,293,759</u>	<u>(575,903)</u>	<u>-5.6%</u>
Net assets				
Investment in capital assets, net of related debt	14,293,625	14,394,104	(100,479)	-0.7%
Restricted	2,067,696	1,935,017	132,679	6.9%
Unrestricted	1,729,997	1,932,118	(202,121)	-10.5%
Total net assets	<u>18,091,318</u>	<u>18,261,239</u>	<u>(169,921)</u>	<u>-0.9%</u>
Total liabilities and net assets	<u>\$ 27,809,174</u>	<u>\$ 28,554,998</u>	<u>\$ (745,824)</u>	<u>-2.6%</u>

Statement of Net Assets Analysis

Current assets were down 12.7% mostly due to continuing losses in water & sewer due in part to delinquencies in customers' bill payments. Additionally, the government paid down long-term debt by \$500k, thereby reducing restricted cash, reducing its non-current assets.

Current liabilities remained fairly constant although long-term debt was reduced by \$500k as mentioned previously.

**CITY OF ABERDEEN, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table A-4: Changes in Net Assets from Operating Results
Governmental Activities Only**

	Fiscal Year 2009	Fiscal Year 2008	Inc (Dec)	%
Revenues				
<i>Program revenues</i>				
Charges for services	\$ 15,769,022	\$ 13,836,336	\$ 1,932,686	14.0%
Capital/operating grants	85,443	162,898	(77,455)	-47.5%
<i>General revenues</i>				
Ad valorem (property) taxes	2,174,309	1,146,392	1,027,917	89.7%
Sales and use tax	876,898	960,887	(83,989)	-8.7%
Fines, fees, licenses and permits	1,037,282	909,271	128,011	14.1%
Intergovernmental	116,830	195,181	(78,351)	-40.1%
Interest income	55,156	46,655	8,501	18.2%
Rent/leases	62,235	229,960	(167,725)	-72.9%
Miscellaneous	268,636	191,812	76,824	40.1%
Gain (loss) on asset disposal	73,483	16,700	56,783	0.0%
Total revenues	<u>20,519,294</u>	<u>17,696,092</u>	<u>2,823,202</u>	<u>16.0%</u>
Expenses				
General government	1,545,953	1,256,762	289,191	23.0%
Public safety	1,656,429	1,753,711	(97,282)	-5.5%
Public works	925,300	887,879	37,421	4.2%
Culture & recreational	316,501	310,205	6,296	2.0%
Debt service	34,763	59,650	(24,887)	-41.7%
Capital outlay	62,768	35,928	26,840	74.7%
Water & sewer	2,624,557	2,421,458	203,099	8.4%
Electric	13,522,944	11,903,796	1,619,148	13.6%
Total expenses	<u>20,689,215</u>	<u>18,629,389</u>	<u>2,059,826</u>	<u>11.1%</u>
Increases (decreases) in net assets	<u>(169,921)</u>	<u>(933,297)</u>	<u>763,376</u>	<u>-81.8%</u>
Beginning net assets	<u>18,261,239</u>	<u>19,586,484</u>	<u>(1,325,245)</u>	<u>-6.8%</u>
Prior year adjmts (See note 11)	<u>-</u>	<u>(391,948)</u>	<u>391,948</u>	<u>100%</u>
Ending net assets	<u>\$ 18,091,318</u>	<u>\$ 18,261,239</u>	<u>\$ (169,921)</u>	<u>-0.9%</u>

**CITY OF ABERDEEN, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Results of Operations

The City's 2009 revenues totaled \$20,519,294. (See Table A-4) Three revenue sources, namely a) Charges for services, b) taxes, and c) fines, fees, and permits, accounted for most of the City's revenue. These sources contributed 77, 11, and 5 percent, respectively, of every dollar raised in fiscal year 2009. (See Table A-5). The remainder came from sales taxes and other miscellaneous sources.

Total expenses for all services totaled \$20,689,215 up \$2,059,826 for 2009. Net assets decreased by \$169,921.

The City's charges for services (utilities) were up \$1.9M or 14% mostly as a result of passing along increases in energy costs to customers from TVA. Ad valorem taxes were up \$1.0M, the results of a \$1.18/\$100 increase in the property tax levy (millage). Both revenues resulted in a 16% increase in revenues.

General government expenses were up \$237k, electric was up \$1.6M reflecting increased energy costs from TVA, and water & sewer was up \$200k for an overall increase of \$2.0M, or 11.0%.

Payment in lieu of taxes from the utility funds were reclassified in the table as transfer in/out to comply with GASB-34 standards.

**CITY OF ABERDEEN, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table A-5: Sources of Revenue for Fiscal Year 2009

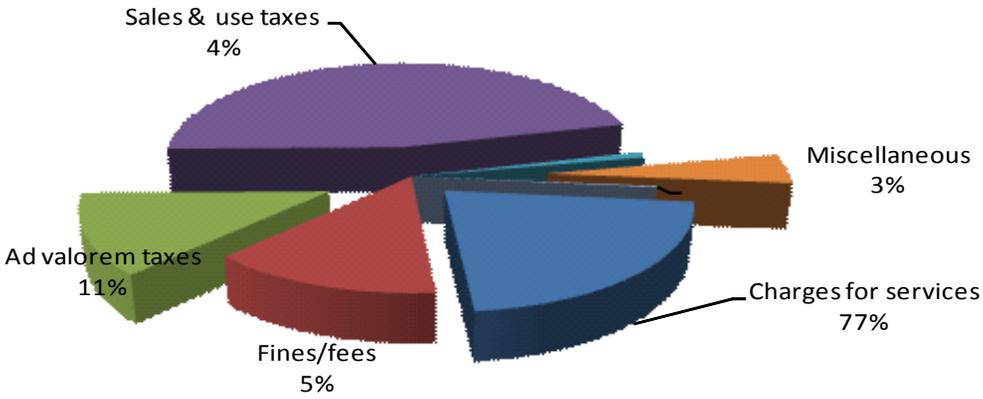
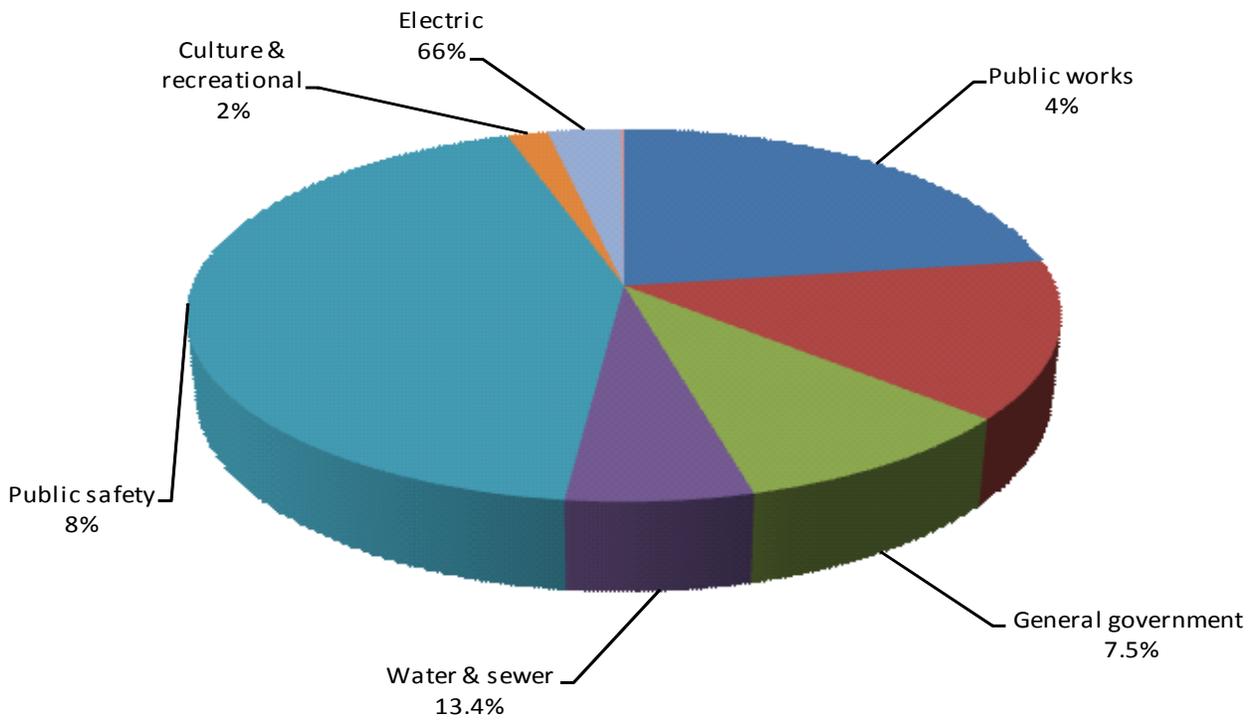


Table A-6: Program Expenses for Fiscal Year 2009



**CITY OF ABERDEEN, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets- Implementation of GASB 34 requires the City to capitalize assets and record depreciation expense on the related assets, including infrastructure. The City has not fully implemented GASB 34. The City's investment in capital assets for its governmental and business-type activities are presented below.

Table A-7, Capital assets, indicates the investment in capital assets as follows:

Table A-7: Capital Assets

Category	Current year 2009	Prior year 2008	Inc/ (dec)	%
Land	\$ 196,459	\$ 196,459	\$ -	0.0%
Buildings and improvements	1,814,044	1,777,392	36,652	2.1%
Improvements other than bldgs	148,019	146,853	1,166	0.8%
Machinery & equipment	30,890,080	30,827,130	62,950	0.2%
Infrastructure	427,811	427,811	-	0.0%
Construction in progress	-	-	-	0.0%
Total capital assets	33,476,413	33,375,645	100,768	0.30%
Accumulated depreciation	(12,332,399)	(11,687,558)	(644,841)	5.5%
Capital assets, net	\$ 21,144,014	\$ 21,688,087	\$(544,073)	-2.5%

**CITY OF ABERDEEN, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Long-Term Debt-At year end, the City had \$6,850,389 in secured debt outstanding. More detailed information about the City of Aberdeen's long-term liabilities is presented in the notes to the financial statements.

Table A-9: Outstanding Long-Term Obligations

Category	Governmental Activities	Business- Type Activities	Govmt Wide
Compensated absences	\$ 426,458	\$ 148,220	\$ 574,678
General obligation bonds	425,000	2,535,000	2,960,000
Obligations under capital leases	113,598	-	113,598
Notes payable	35,000	3,741,791	3,776,791
Total	<u>\$ 1,000,056</u>	<u>\$ 6,425,011</u>	<u>\$ 7,425,067</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2009 budget.

CONTACTING CITY OF ABERDEEN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Aberdeen's finances and to demonstrate the City's accountability for the money it received. If you have any questions about this report or need additional financial information, please contact:

Jim Ballard, Mayor
City of Aberdeen
125 W. Commerce St.
Aberdeen, MS 39730
(662)-369-4165

FINANCIAL STATEMENTS

City of Aberdeen, Mississippi
Government-wide Statement of Net Assets
For the year ended September 30, 2009

Assets	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 1,191,485	\$ 266,622	\$ 1,458,107
Accounts receivable, net of allowances	3,760	1,504,889	1,508,649
Taxes receivable	195,035	-	195,035
Fines receivable, net of allowances	106,267	-	106,267
Internal service fund balances	(1,279,651)	1,279,651	-
Prepaid expenses	74,811	51,793	126,604
Inventories	-	206,996	206,996
Interest receivable	-	16,413	16,413
Total current assets	<u>291,707</u>	<u>3,326,364</u>	<u>3,618,071</u>
Capital assets			
Land	-	196,459	196,459
Buildings and improvements	-	1,814,044	1,814,044
Improvements other than buildings	146,853	1,166	148,019
Machinery and equipment	490,306	30,399,774	30,890,080
Infrastructure	427,811	-	427,811
Construction in progress	-	-	-
Total capital assets(note 6)	<u>1,064,970</u>	<u>32,411,443</u>	<u>33,476,413</u>
Less accumulated depreciation	<u>-</u>	<u>(12,332,399)</u>	<u>(12,332,399)</u>
Capital assets, net	<u>1,064,970</u>	<u>20,079,044</u>	<u>21,144,014</u>
Non-current assets			
Cash-restricted	159,298	1,908,398	2,067,696
Other assets			
Notes receivable, net of allowance-non-current (note 1)	317,923	455,918	773,841
Transportation clearing	-	37,339	37,339
Loan origination fees/bond issuance cost (net of amortization) (note 1)	39,669	128,544	168,213
Total non-current assets	<u>516,890</u>	<u>2,530,199</u>	<u>3,047,089</u>
Total assets	<u>1,873,567</u>	<u>25,935,607</u>	<u>27,809,174</u>
Liabilities			
Current liabilities			
Accounts/claims payable	218,188	1,354,073	1,572,261
Wages payable	124,065	27,643	151,708
Deferred revenue	162,500	-	162,500
Deferred charges	-	17,889	17,889
Customers deposits	-	328,678	328,678
Accrued interest payable	9,815	49,938	59,753
Accrued compensated absences, current portion (note 7)	200,866	79,637	280,503
Long-term liabilities, current portion (note 7)	173,278	349,258	522,536
Total current liabilities	<u>888,712</u>	<u>2,207,116</u>	<u>3,095,828</u>
Noncurrent liabilities			
Accrued compensated absences, net of current portion (note 7)	225,592	68,583	294,175
Long-term liabilities, net of current portion (note 7)	400,320	5,927,533	6,327,853
Total noncurrent liabilities	<u>625,912</u>	<u>5,996,116</u>	<u>6,622,028</u>
Total liabilities	<u>1,514,624</u>	<u>8,203,232</u>	<u>9,717,856</u>
Net Assets			
Invested in capital assets, net of related debt	491,372	13,802,253	14,293,625
Restricted	159,298	1,908,398	2,067,696
Unrestricted	(291,727)	2,021,724	1,729,997
Total net assets	<u>358,943</u>	<u>17,732,375</u>	<u>18,091,318</u>
Total liabilities and net assets	<u>\$ 1,873,567</u>	<u>\$ 25,935,607</u>	<u>\$ 27,809,174</u>

See independent auditor's report and notes to the financial statements.

City of Aberdeen, Mississippi
Governmentwide Statement of Activities
For the year ended September 30, 2009

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Primary Government							
<i>Governmental Activities</i>							
General government	\$ (1,545,953)	\$ 96,133	\$ 14,290	\$ -	\$ (1,435,530)	\$ -	\$ (1,435,530)
Public safety	(1,656,429)	403,953	58,255	-	(1,194,221)	-	(1,194,221)
Public works	(925,300)	-	12,898	-	(912,402)	-	(912,402)
Culture and recreational	(316,501)	-	-	-	(316,501)	-	(316,501)
Capital outlay	(62,768)	-	-	-	(62,768)	-	(62,768)
Interest expense	(34,763)	-	-	-	(34,763)	-	(34,763)
Total governmental activities	(4,541,714)	500,086	85,443	-	(3,956,185)	-	(3,956,185)
<i>Business-type activities</i>							
Water/sewer	(2,624,557)	1,797,163	-	-	-	(827,394)	(827,394)
Electric	(13,522,944)	13,971,859	-	-	-	448,915	448,915
Total business-type activities	(16,147,501)	15,769,022	-	-	-	(378,479)	(378,479)
Total primary government	\$ (20,689,215)	\$ 16,269,108	\$ 85,443	\$ -	\$ (3,956,185)	\$ (378,479)	\$ (4,334,664)

General revenues:

Property/realty taxes	526,677	526,677
Advalorem taxes	1,368,073	1,368,073
Auto taxes	220,774	220,774
Franchise taxes	58,785	58,785
Sales taxes	876,898	876,898
Fines, fees, licenses, and permits	537,196	537,196
Intergovernmental	116,830	116,830
Investment income	12,468	42,688
Rent/leases	62,235	62,235
Contributions	13,581	13,581
Miscellaneous	248,776	248,776
Gain (loss) on sales of assets	73,483	73,483
Insurance proceeds	6,279	6,279
Total general revenues and transfers	4,122,055	4,164,743
Change in net assets	165,870	(335,791)
Beginning net assets	193,073	18,261,239
Prior year adjustments	-	-
Ending net assets	\$ 358,943	\$ 18,091,318

See independent auditor's report and notes to the financial statements.

City of Aberdeen, Mississippi
Balance Sheet-Governmental Funds
For the year ended September 30, 2009

	Common City/General Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Pooled cash and investments	\$ 4,811	\$ 1,186,674	\$ 1,191,485
Accounts receivables	-	3,760	3,760
Taxes receivable	132,532	62,503	195,035
Municipal fines receivable, net of allowances	106,267		106,267
Due from other funds	-	218,661	218,661
Restricted assets-cash	-	45,346	45,346
Restricted assets-investments	-	113,952	113,952
Total assets	243,610	1,630,896	1,874,506
Liabilities			
Accounts payable and accrued expenses	178,519	39,669	218,188
Deferred revenue	162,500	-	162,500
Wages payable	232	-	232
Due to other funds	480,160	222,545	702,705
Total liabilities	821,411	262,214	1,083,625
Fund balances			
Reserved for debt service	-	27,029	27,029
Reserved for prepaids & inventory	-	-	-
Unreserved	(577,801)	1,341,653	763,852
Total fund balances	(577,801)	1,368,682	790,881
Total liabilities and fund balances	\$ 243,610	\$ 1,630,896	\$ 1,874,506

See Independent Auditor's Report and Notes to the Financial Statements.

City of Aberdeen, Mississippi
Reconciliation of Total Fund Balances to Total Net Assets
For the year ended September 30, 2009

Balance Sheet - Governmental Funds - Total fund balances		\$ 790,881	
Internal Service Fund-eliminations	(795,607)		
Amounts reported for governmental activities of the statement of net assets are different because:			
Notes receivable, economic development loans, net of \$110,946 allowance for doubtful accounts	317,923		
Prepaid expenses	74,811		
Loan origination fees	39,669		
Capital assets used in fund level statements are expensed upon use of financial resources to construct or acquire them. Capital assets for entity-wide statements are recognized as assets that are extinguished via depreciation charged over the life of the asset.			
Capital assets, net of accumulated depreciation	1,064,970		
Long-term debt uses current financial resources to pay off the principle portion and related interest expense. For entity-wide statements, the unpaid principle portion is recognized as a future obligation to be repaid over time.			
Long-term debt	(573,598)		
Compensated absences	(426,458)		
Accrued interest	(9,815)		
Accrued wages	(123,833)		
Subtotal		(431,938)	
Government-wide Statement of Net Assets--Total net assets		\$ 358,943	

City of Aberdeen, Mississippi
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the year ended September 30, 2009

	Common City/ General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 385,190	\$ 141,487	\$ 526,677
Personal taxes	1,310,073	58,000	1,368,073
Auto taxes	205,570	15,204	220,774
Franchise taxes	58,785	-	58,785
Sales taxes	876,898	-	876,898
Fines, fees, licenses, and permits	1,020,665	102,060	1,122,725
Intergovernmental	67,445	49,385	116,830
Investment income	171	12,297	12,468
Leases	27,532	34,703	62,235
Contributions	11,171	2,410	13,581
Miscellaneous	183,841	64,935	248,776
Total revenues	<u>4,147,341</u>	<u>480,481</u>	<u>4,627,822</u>
Expenditures			
General government	1,978,128	222,270	2,200,398
Public safety	1,598,681	57,748	1,656,429
Public works	881,612	43,688	925,300
Park and recreational	316,501	-	316,501
Capital outlay	57,184	5,584	62,768
Depreciation expense	-	-	-
Debt service:			
Principal	-	106,095	106,095
Interest and paying agent fee	-	55,029	55,029
Total expenditures	<u>4,832,106</u>	<u>490,414</u>	<u>5,322,520</u>
Excess of revenues over (under) expenditures	<u>(684,765)</u>	<u>(9,933)</u>	<u>(694,698)</u>
Other financing sources (uses)			
Proceeds from loan	-	55,629	55,629
Transfer in	795,052	-	795,052
Transfer out	(75,000)	-	(75,000)
Insurance proceeds	6,279	-	6,279
Sale of capital assets	35,513	37,970	73,483
Transfer to outside agency	-	-	-
Total other financing sources (uses)	<u>761,844</u>	<u>93,599</u>	<u>855,443</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>77,079</u>	<u>83,666</u>	<u>160,745</u>
Fund balances, beginning of year	(654,880)	1,285,016	630,136
Prior year adjustments & equity transfers	-	-	-
Fund balances, end of year	<u><u>\$ (577,801)</u></u>	<u><u>\$ 1,368,682</u></u>	<u><u>\$ 790,881</u></u>

City of Aberdeen, Mississippi
Reconciliation of Changes in Net Assets
For the year ended September 30, 2009

Excess of revenues and other sources over (under) expenditures and other uses - Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds

\$ 160,745

Internal service fund eliminations	(185,319)
Prepaid expense	(1,579)
Fixed assets addition	
Depreciation expense	-
Notes receivable-economic development loans	42,743
Loan issuance costs	39,669

Bond proceeds are reported as financing sources in governmental funds financial statements thus contributed to the net change in fund balance. In the statement of net assets, however, issuing debt increases long term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds financial statements, but reduces the liability in the statement of net assets

Debt issued	(98,334)
Principle payments	178,040
(Addition) reduction to compensated absences	75,707
(Addition) reduction to accrued wages	(48,940)
(Addition) reduction to accrued interest	3,138

- 5,125

Government-wide Statement of Activities--Changes in net assets - Governmental Activities

\$ 165,870

City of Aberdeen, Mississippi
Reconciliation Matrix (modified accrual to full accrual balances)
For the year ended September 30, 2009

	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Annual (Revenue) Expense</u>
Balance Sheet- Governmental & Internal Service Funds	\$ 1,874,506	\$ (1,083,625)	\$ (630,136)	\$ (160,745)
Prepaid insurance beg bal	76,390		(76,390)	-
Addition(reduction) in prepaid exps	(1,579)			1,579
Capital asset, beginning of year	1,064,970		(1,064,970)	-
Capital asset, additions				
Accumulated depreciation, beginning balances	-		-	
UDAG loans Beg Bal	313,257		(313,257)	
UDAG new loans issued	136,168		-	(136,168)
UDAG principal pymts	(20,556)		-	20,556
UDAG loans allowance for dbtfl accts	(110,946)		38,077	72,869
2009 Bond loan issuance cost fund 330	39,669		-	(39,669)
Depreciation expense	-			-
Eliminate interfund transactions (due to/from)	(1,498,312)	702,705	610,288	185,319
Long term debt, beginning of year	-	(653,304)	653,304	-
Debt issued		(98,334)	-	98,334
Principal repayment		178,040	-	(178,040)
Accrued wages beg bal		(74,893)	74,893	-
Accrued wage add (reduce)		(48,940)		48,940
Accrued interest, beginning bal		(12,953)	12,953	-
Accrued interest add (reduce)	-	3,138		(3,138)
Addition(reduction) to compensated absence	-	75,707	-	(75,707)
Compensated absences, begn bal(pr yr admt)	-	(502,165)	502,165	-
		-	-	-
Subtotals	<u>1,873,567</u>	<u>(1,514,624)</u>	<u>(193,073)</u>	<u>(165,870)</u>
Close income/expense to equity			(165,870)	165,870
Government-wide Statement of Net Assets	<u>\$ 1,873,567</u>	<u>\$ (1,514,624)</u>	<u>\$ (358,943)</u>	<u>\$ -</u>

See Independent Auditor's Report and Notes to the Financial Statements.

City of Aberdeen, Mississippi
Statement of Net Assets - Proprietary Funds
For the year ended September 30, 2009

	Water/ Sewer Utility Funds	Electric Department Fund	Total
Assets			
Cash and cash equivalents	\$ 136,414	\$ 130,208	\$ 266,622
Accounts receivable, less allowances	225,733	1,279,156	1,504,889
Prepaid expenses	5,850	45,943	51,793
Inventories	45,809	161,187	206,996
Interest receivable	16,413	-	16,413
Due from other funds	328,068	951,583	1,279,651
Total current assets	<u>758,287</u>	<u>2,568,077</u>	<u>3,326,364</u>
Capital assets			
Land	123,347	73,112	196,459
Buildings and improvements	195,727	1,618,317	1,814,044
Improvements other than buildings	1,166	-	1,166
Machinery and equipment	21,854,961	8,544,813	30,399,774
Total capital assets	<u>22,175,201</u>	<u>10,236,242</u>	<u>32,411,443</u>
Accumulated depreciation	<u>(7,275,086)</u>	<u>(5,057,313)</u>	<u>(12,332,399)</u>
Capital assets, net (note 6)	<u>14,900,115</u>	<u>5,178,929</u>	<u>20,079,044</u>
Non-current assets			
Cash-restricted	1,298,727	609,671	1,908,398
Other assets			
Notes receivable, net of allowance-non-current (note 1)	76,101	379,817	455,918
Transportation clearing	-	37,339	37,339
Loan origination fees/bond issuance cost (net of amortization) (note 1)	53,638	74,906	128,544
Total non-current assets	<u>1,428,466</u>	<u>1,101,733</u>	<u>2,530,199</u>
Total assets	<u>17,086,868</u>	<u>8,848,739</u>	<u>25,935,607</u>
Liabilities			
Current liabilities			
Accounts/claims payable	50,133	1,303,940	1,354,073
Deferred charges	-	17,889	17,889
Wages payable	5,895	21,748	27,643
Due to other funds	-	-	-
Accrued compensated absences (note 7)	28,689	50,948	79,637
Total current liabilities	<u>84,717</u>	<u>1,394,525</u>	<u>1,479,242</u>
Current liabilities payable from restricted assets			
Customer deposits	73,847	254,831	328,678
Accrued interest payable	30,084	19,854	49,938
Notes payable (note 7)	124,258	-	124,258
Current portion of revenue bonds (note 7)	40,000	185,000	225,000
Total current liabilities payable from restricted assets	<u>268,189</u>	<u>459,685</u>	<u>727,874</u>
Long-term debt (less amounts classified as current liabilities)			
Accrued compensated absences (note 7)	-	68,583	68,583
General obligation bonds (note 7)	595,000	1,715,000	2,310,000
Notes payable (note 7)	3,467,547	149,986	3,617,533
Total long-term debt	<u>4,062,547</u>	<u>1,933,569</u>	<u>5,996,116</u>
Total liabilities	<u>4,415,453</u>	<u>3,787,779</u>	<u>8,203,232</u>
Net assets			
Invested in capital assets, net of related debt	10,673,310	3,128,943	13,802,253
Restricted for debt service	1,298,727	609,671	1,908,398
Unrestricted	699,378	1,322,346	2,021,724
Total net assets	<u>12,671,415</u>	<u>5,060,960</u>	<u>17,732,375</u>
Total liabilities and net assets	<u>\$ 17,086,868</u>	<u>\$ 8,848,739</u>	<u>\$ 25,935,607</u>

City of Aberdeen, Mississippi
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds
For the year ended September 30, 2009

	Water/ Sewer Utility Funds	Electric Department Fund	Total
Operating revenues			
Sales to customers	\$ 1,141,148	\$ 13,766,424	\$ 14,907,572
Other revenues	656,015	205,435	861,450
Total operating revenues	<u>1,797,163</u>	<u>13,971,859</u>	<u>15,769,022</u>
Operating expenses			
Operations	373,129	992,200	1,365,329
Purchase power	5,314	11,952,072	11,957,386
Maintenance	1,621,794	239,724	1,861,518
Depreciation	455,990	228,733	684,723
Total operating expenses	<u>2,456,227</u>	<u>13,412,729</u>	<u>15,868,956</u>
Operating income (loss)	<u>(659,064)</u>	<u>559,130</u>	<u>(99,934)</u>
Non-operating revenues (expenses)			
Interest revenue	39,788	2,900	42,688
Interest and service charges	(168,330)	(110,215)	(278,545)
Gain (loss) on sale of fixed assets	-	-	-
CDBG - operating grants	-	-	-
Miscellaneous	-	-	-
Total non-operating revenues (expenses)	<u>(128,542)</u>	<u>(107,315)</u>	<u>(235,857)</u>
Income (loss) before contributions and transfers	<u>(787,606)</u>	<u>451,815</u>	<u>(335,791)</u>
Other financing sources (uses)			
Transfers in	545,923	135,327	681,250
Bad debt	-	-	-
Transfers out	-	(681,250)	(681,250)
Total transfers in (out)	<u>545,923</u>	<u>(545,923)</u>	<u>-</u>
Changes in net assets	<u>(241,683)</u>	<u>(94,108)</u>	<u>(335,791)</u>
Net assets - beginning	12,913,098	5,155,068	18,068,166
Prior period adjustments	-	-	-
Net assets - ending	<u><u>\$ 12,671,415</u></u>	<u><u>\$ 5,060,960</u></u>	<u><u>\$ 17,732,375</u></u>

City of Aberdeen, Mississippi
Statement of Cash Flows
Proprietary Funds
For the year ended September 30, 2009

	Water/Sewer Utility Fund	Electric Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,797,163	\$13,971,859	\$ 15,769,022
Payments to suppliers of goods and services	(1,801,319)	(13,160,885)	(14,962,204)
Payments to employees for services	(274,824)	(88,438)	(363,262)
Net Cash Provided by Operating Activities	(278,980)	722,536	443,556
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	545,923	135,327	681,250
Transfers to other funds	-	(681,250)	(681,250)
Net Cash Provided by (Used for) Noncapital Financing Activities	545,923	(545,923)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(114,686)	(109,929)	(224,615)
Principal paid on capital debt	(138,156)	(165,000)	(303,156)
Cash paid for interest on capital debt	(179,006)	(99,545)	(278,551)
Other capital and financing activities	(101,860)	(1,154,388)	(1,256,248)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(533,708)	(1,528,862)	(2,062,570)
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES			
Investment income	39,788	2,900	42,688
Net Cash Provided By (Used for) Investing Activities	39,788	2,900	42,688
Net Increase (Decrease) in Cash and Cash Equivalents	(226,977)	(1,349,349)	(1,576,326)
Cash and Cash Equivalents at Beginning of Year			
Unrestricted	1,664,583	672,924	2,337,507
Restricted	200,902	460,706	661,608
Total cash beginning of year	1,865,485	1,133,630	2,999,115
Cash and Cash Equivalents at End of Year			
Unrestricted	136,414	130,208	266,622
Restricted	1,298,727	609,671	1,908,398
Total Cash and Cash Equivalents at End of Year	\$ 1,435,141	\$ 739,879	\$ 2,175,020
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:</u>			
Operating income (loss)	\$ (659,064)	\$ 559,130	\$ (99,934)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	455,990	228,733	684,723
(Increase) decrease in accounts receivable, net	202,270	438,421	640,691
(Increase) decrease in notes receivables, net	-	(99,972)	(99,972)
(Increase) decrease in prepaid expenses	(2,575)	(33,403)	(35,978)
(Increase) decrease in deferred debits	57,122	74,906	132,028
(Increase) decrease in inventories	(4,563)	7,957	3,394
(Increase) decrease in interest receivable	(16,413)	-	(16,413)
(Increase) decrease in due from other funds	(328,068)	(682,143)	(1,010,211)
Increase (decrease) in current liabilities	16,321	228,907	245,228
Total Adjustments	380,084	163,406	543,490
NET CASH FLOWS PROVIDED TO (USED IN) OPERATING ACTIVITIES	\$ (278,980)	\$ 722,536	\$ 443,556
Other Non Cash Items:			
Noncash investing, capital, and financing activities:	\$ -	\$ -	\$ -
Fair value of donated assets	-	-	-
Lease purchase agreements	-	-	-

See independent auditor's report and notes to the financial statements.

City of Aberdeen, Mississippi
Statement of Fiduciary Net assets
For the year ended September 30, 2009

Assets

Cash	\$ -
Restricted cash	73,060
Accounts receivables	-
Taxes receivables	39,325
Due from other governments	-
Due from other funds	294,676
Total assets	<u>407,061</u>

Liabilities

Bank overdraft	-
Due to taxing authorities	56,149
Reserved for unemployment claims	-
Due to outside agencies	-
Due to other funds	350,912
Deferred credits	-
Total liabilities	<u>\$ 407,061</u>

See Independent Auditor's Report and Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Aberdeen, Mississippi operates under a Mayor-Alderman form of government and provides the following services: public safety (police & fire), public works (street and waste collection), recreation, building and ground improvements, utilities (electric and water & sewer), community services, urban redevelopment and housing, public improvements and general administrative services.

The primary government financial statements do not include funds of the Aberdeen School District or the Aberdeen Housing Authority, since these entities are administered by separate governing bodies.

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

Basic Financial Statements-Government-wide and Fund Level Statements

The basic financial statements include both government-wide (reporting as a whole) and fund financial statements (reporting major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Public safety, public works, economic development, health and human services, culture and recreation and general administration services are classified as governmental activities. Water, sewer, and electricity services are classified as business-type activities.

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

The government-wide Statement of Activities reports both on the gross and net cost of each function and business-type activities (police, fire, public works, etc.). The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to applicants who use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflects capital-specific expenditures.

The Statement of Activities reduces gross expenses (including depreciation expense) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, fire, public works, etc.) or a business-type activity. Taxes and other items not properly included among program revenues are reported as *general revenues*. Net costs (by function or business-type activities) are normally covered by general revenue (property, sales or gas tax, intergovernmental revenues, interest income, etc.). The government-wide focus is more on the sustainability of the City as an entity and the changes in net assets resulting from current year's activities.

Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Major individual governmental funds are reported as separate columns in the fund financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

Significant revenues considered to be susceptible to accrual in addition to general property taxes include sales tax and various categorical grants.

The City reports the following governmental funds:

Governmental Funds

General Fund-the general fund is used to account for all financial resources of the primary government except those required to be accounted for in another fund. The majority of current operations are financed by this fund transfers to other funds and agencies are made from this fund. Monies from other funds may be received unless prohibited by the purpose and object of such funds. This is a major fund.

Special Revenue Funds- the special revenue fund is used to account for the proceeds of specific federal and state grants that are legally restricted to expenditures for specified purposes. These are non-major governmental funds.

Debt Service- the debt service fund was established to receive and account for resources restricted for the payment of interest and principal on general improvement bonds, notes and capital leases. These are non-major governmental funds.

Capital Projects Funds- the capital projects fund is used to account for the acquisition or construction of major capital facilities other than those financed by proprietary funds. These are non-major governmental fund.

Proprietary Funds:

Electric Fund- this fund is used to account for the City's electric distribution system. This fund is responsible for electric power delivery to the residents of the City of Aberdeen.

Water & Sewer Fund- this fund is used to account for the City's water treatment and sewer distribution systems. This fund is responsible for water delivery to and sewer extraction from the residents of the City of Aberdeen.

The City reports the following major fiduciary funds:

Fiduciary Funds:

Agency Funds- these funds are used to account for assets held by the City as an agent for employees, other individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities), and do not involve measurement of results for operations. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues are those which cannot be associated directly with program activities.

Proprietary funds distinguish operating revenues and expenses from Nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary funds are as follows:

- 1) Sale of water for the Water Fund and sale of electricity for the Electric Fund.
- 2) Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets.
- 3) All revenues and expenses not meeting this definition are reported as Nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Financial Reporting Entity

The City's combined 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 Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

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

Included within the reporting entity:

City of Aberdeen Electric Department and City of Aberdeen Water and Sewer Department. The rates for user charges and bond issuance authorizations also are approved by the governments governing body and the legal liability for the general obligation portion of the electric, water and sewer debt remains with the government.

Budgets and Budgetary Accounting

The Mayor and Board of Alderman generally follow the following proposed budget calendar of the State Department of Audit in establishing the budgetary data reflected in the financial statements.

1. The Mayor and Board of Alderman formulates the budget policy at the May board meeting.
2. Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
3. A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
4. Between August 15th-30th a public hearing is held and the budget is adopted. The anticipated tax levy is reviewed to determine whether public notice is required on any levy.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (continued)

5. Between September 1st-15th the budget must be adopted and the tax levy set.
6. Between September 1st-30th, in accordance with the City's population, the budget must be published in a municipal newspaper.
7. Between September 1st-30th the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection.
8. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.
9. Further, budgets are used as management control devices in the General, Debt Service, Special Revenue and Proprietary Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except the Proprietary Fund's budget recognizes all expenditures for debt as expense and no depreciation expense is recognized.

Budgetary data for the Capital Projects Fund has not been presented in the accompanying combined financial statements as such funds are budgeted over the life of the respective project and not on an annual basis.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts after appropriate revisions during the year.

Expenditures may not legally exceed budgeted appropriations at the activity level except for capital outlays, election expenses and emergency expenditures.

Revenue Recognition- Property Taxes

Property taxes attach as an enforceable lien on property as of February 1st. taxes are levied on October 1st and are due and payable at that time. All unpaid taxes levied October 1st become delinquent February 1st of the following year.

General Obligation Enterprise Bonds

The Enterprise Funds provide the annual debt service requirements on certain general obligation enterprise bonds (not secured by system revenues) issued to finance system improvements. Since the Enterprise Funds provide the annual debt service on these general obligation enterprise bonds, the bonds are considered to be obligations of the Enterprise Funds and have been reported on the balance sheets of the Enterprise Funds.

Although the general obligation enterprise bonds are reported on the balance sheets of the Enterprise Funds, they are backed by the full faith and credit of the City and are therefore a contingent liability to the general government.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Aberdeen.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth *minimum* criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in fund financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid debt instruments purchased with an original maturity of three months or less when acquired are considered to be cash equivalents.

2. Receivables

Receivables at September 30, 2009, consisted primarily of property and other taxes, accounts (billings for user charged services including unbilled utility services), intergovernmental receivables arising from entitlements and shared revenues, and accrued interest on investments.

All accounts receivables are shown net of allowance for uncollectible amounts where applicable. The allowance is based on management estimates and the average age of receivables, except for the fines (municipal) receivable because the City has not adopted a policy to determine the uncollectability of such accounts.

3. Business Information

The City of Aberdeen, Mississippi provides electric, water and sewer and solid waste collection services to customers located within the city limits of Aberdeen, Mississippi as well as a limited number of customers outside the city limits. Credit is extended to all of these customers for services.

4. Inventories

Inventories for proprietary fund types are valued at cost. The City does not maintain inventory records for any other fund types.

5. Compensated Absences

The City's liability at September 30, 2009 for vested, but unused, vacation and sick leave is reflected as expenditures and is expected to be liquidated with expendable available financial resources, as provided by Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences.

6. Cash and Investments

The City deposits funds in financial institutions selected by the Board of Alderman in accordance with state statutes.

The collateral for public entities' deposits in financial institutions are now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-106-5, Mississippi Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holdings deposits of public funds must pledge securities as collateral against those deposits equal to at least 106% of the amount of the deposit in excess of the insured amount. 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 (FDIC).

Investments- State statutes authorize the government to invest in interest bearing certificates of deposit issued by a qualified depository of the government or in direct obligation of the United States of America.

State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursements for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.

Investments

Investments are recorded at fair value in accordance with GASB Statement No. 31 with all investment income, including interest from short-term interest bearing securities being recognized as earned. Statutes authorize the City to invest in U.S. Government agency obligations, State of Mississippi obligations, and obligations of a corporation of the U.S. Government.

Securities traded in a national or international exchange are valued at the last reported sales price at current exchange rates. Short-term investments are reported at fair value when published prices are available, or at cost plus accrued interest, which approximates fair value. For individual investments where no readily ascertainable fair value exists, the Public Employees' Retirement System, in consultation with its investment advisors and custodial bank, has determined the fair values.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Reserves

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of all reserves used by the City:

- (1) Reserved for debt service- an account used to segregate a portion of fund balance for debt service resources legally restricted to the payment of long-term debt principal and interest amounts maturing in future years.
- (2) Reserved for special revenue- an account used to segregate a portion of fund balance for special revenue resources restricted for the use related to the grant funds received and other restrictions.
- (3) Reserved for capital projects- an account that represents the portion of the fund balance that is legally restricted for capital improvements.

Loans to Other Funds or Other Governmental Units

Advances represent the noncurrent portions (due after one year) or inter-fund loans or loans to other governmental units. The current portions of loans are reported as ("due from or due to") in the asset and liability accounts and are considered available resources.

Bond Discounts, Bond Premiums and Issuance Costs

In the government funds, bond discounts, bond premiums and issuance costs are treated as period costs in the year of issue. Bond premiums and discounts are shown as "*Other Financing Sources/Uses*".

In the proprietary funds and government-wide financial statements, bond discounts, bond premiums and issuance costs are deferred and amortized over the term of the bonds utilizing the outstanding method, which approximate the effective interest method. Bond discounts and premium are presented as a reduction and increase, respectively, of the face amount of the revenue bond payable, where issuance costs are recorded as other assets.

The City obtained financing through the Mississippi Department of Environmental Quality State Revolving Fund Program for the construction of various projects. The City was charged for administrative services of the loans. In accordance with general accepted accounting principles (GAAP), these costs are reflected as "other asset" and are required to be amortized over the lives of the respective loans. The net value of the issuance costs was \$168,213 at September 30, 2009.

The City has failed to amortize its loan issuance costs for years and the amounts reflected on the financial statements are not fairly presented.

1. Interfund Activity

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

2. Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations are reported as non-operating revenues based on GASB No. 33. In applying GASB No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

3. Expenditures

Expenditures are recognized when the related fund liability is incurred. The cost of governmental fund type inventories are recorded as expenditures when purchased rather than when consumed.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Reserves and Designations

Portions of fund equity are segregated for future use and therefore, are not available for future appropriations or expenditure.

5. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

6. Pension Expenses

The City funds pension expenses as required by applicable statute. Two plans, funded from both City and employee contributions are described in Note 4.

7. Post-Employment Health Care and Life Insurance Benefits

The City does not incur costs associated with post-employment benefits for retired employees, but allows vested employees to continue in the group plan after retirement. However, the retired employee pays 100% of premiums.

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Actual results could differ from those estimates.

9. New Accounting Standards

The City will adopt the following new accounting pronouncements in future years:

GASB Statement No. 39 - This Statement amends Statement No. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. *GASB-S45-Post Employment Benefits* is not applicable to the City.

10. Notes Receivables

Notes receivables represent loans to citizens for energy loans for heat pumps and insulation programs (collateralized), economic development loans (secured), and unpaid extended pay programs for energy bills. Allowance for doubtful accounts are established based upon aging experience.

NOTE 2 – PROPERTY TAXES

Property Taxes

Property taxes, except motor vehicles, attach as an enforceable lien on property as of February 1st. The City bills and collects its own property taxes, except motor vehicle taxes, and also collects taxes for the Separate School District. Motor vehicle taxes are collected by the County Tax Collector and remitted to the City. Taxes are levied October 1st and become delinquent February 1st of the following year. Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

NOTE 2 – PROPERTY TAXES (CONTINUED)

The assessed value of taxable property within the City and Aberdeen School District for 2009 is shown below:

ASSESSED VALUATION	FY-2009	FY-2008
<i>City</i>		
Real property	\$ 19,159,785	\$ 19,117,322
Personal property	7,416,905	8,508,520
Auto	4,051,195	4,171,674
Public utilities	1,187,316	1,102,538
Subtotal city	31,815,201	32,900,054
<i>Separate School District</i>		
Real property	16,476,339	16,349,826
Personal property	13,156,006	12,169,225
Auto	6,518,645	6,557,859
Public utilities	18,978,865	17,985,123
Subtotal separate school district	55,129,855	53,062,033
Total	\$ 86,945,056	\$ 85,962,087

The millage (Tax levy) was allocated as follows:

<i>City Levy</i>	2009	2008	Diff
Common City Fund	\$ 48.80	\$ 47.62	\$ 1.18
Public Improvement Fund	3.65	3.45	0.20
Street Paving Notes Fund 75	1.05	1.25	-0.20
Industrial Park Maintenance Fund	0.50	0.50	0.00
Library Maintenance Fund	1.35	1.35	0.00
Magnolias Maintenance Fund	1.00	1.00	0.00
Subtotal city levy	56.35	55.17	1.18
<i>School Levy</i>			
School Bond and Interest Fund	1.95	2.00	-0.05
School District Maintenance Fund	45.37	45.50	-0.13
Subtotal school levy	47.32	47.50	-0.18
Total tax levy	\$ 103.67	\$ 102.67	\$ 1.00

Collections for the School Maintenance Fund, the School Minimum Program Fund, the Hospital, the Magnolias, and Library Maintenance Funds are remitted by the City to the appropriate entity.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

NOTE 3 – PROPERTY, PLANT, AND EQUIPMENT-PROPRIETARY FUND TYPES (CONTD)

For the Enterprise Funds, the accumulated provision for depreciation is charged with retirements together with removal cost less salvage. Generally, because of the composite character of the provision no other adjustments of accumulated depreciation are made in recording retirements. The Electric Fund Utility Plant accounts are carried at original costs (costs to the organization first devoting the plant to public services), which is required by governmental regulatory bodies.

NOTE 4-- DEFINED BENEFIT PENSION PLAN

• **Plan Description - PERS**

The City of Aberdeen contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan member and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to PER System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1006, or by calling (601) 359-3589 or 1-800-444-PERS.

• **Funding Policy - PERS**

PERS members are required to contribute 7.25% of their annual covered salary and the City of Aberdeen, Mississippi is required to contribute at an actuarially determined rate. The current rate is 11.85% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Aberdeen, Mississippi's contributions to PERS for the years ended September 30, 2009, 2008, and 2007 were \$324,781, \$250,418, and \$388,673 respectively, equal to the required contributions for each year.

NOTE 5- LITIGATION

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the City. In the opinion of the elected officials, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the City if disposed of unfavorably.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

NOTE 6- CAPITAL ASSETS

The following is a summary of capital asset activity as of September 30, 2009:

Capital Assets

Primary Government:	Balance Oct 1, 2008	Prior year adjustments	Additions	Reclass/ disposals	Balance Sept 30, 2009
<i>Governmental Activities:</i>					
<i>Capital assets not being depreciated:</i>					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	-	-	-	-	-
<i>Capital assets being depreciated:</i>					
Buildings & improvements	-	-	-	-	-
Improvements other than buildings	146,853	-	-	-	146,853
Machinery and equipment	490,306	-	-	-	490,306
Infrastructure	427,811	-	-	-	427,811
Total capital assets being depreciated	1,064,970	-	-	-	1,064,970
Total capital assets, government wide	1,064,970	-	-	-	1,064,970
Less accumulated depreciation	-	-	-	-	-
Net governmental activities assets	\$ 1,064,970	\$ -	\$ -	\$ -	\$ 1,064,970
<i>Proprietary Funds</i>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 196,459	-	\$ -	-	\$ 196,459
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	196,459	-	-	-	196,459
<i>Capital assets being depreciated:</i>					
Buildings & improvements	1,777,392	-	-	36,652	1,814,044
Improvements other than buildings	-	-	-	1,166	1,166
Machinery and equipment	30,336,824	-	-	62,950	30,399,774
Total capital assets being depreciated	32,114,216	-	-	100,768	32,214,984
Total capital assets, business type	32,310,675	-	-	100,768	32,411,443
Less accumulated depreciation	(11,687,558)	-	-	(644,841)	(12,332,399)
Net capital assets, business type	20,623,117	-	-	(544,073)	20,079,044
Total capital assets, net	\$ 21,688,087	\$ -	\$ -	\$ (544,073)	\$ 21,144,014

The City adopted a capitalization threshold of \$500 for general fixed assets and a threshold to all general fixed assets in service. The City has not retroactively capitalized infrastructure assets in service. The beginning accumulated depreciation balances have not been adjusted to reflect the City's new capitalization policy.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

NOTE 6- FIXED ASSETS (CONTINUED)

Capital Assets (continued)

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on the proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. Depreciation has been calculated on the fixed assets using the following useful lives:

Assets	<u>Years</u>
Plant, buildings & improvements	5-40
Furniture and fixtures	5-20
Machinery and equipment	5-15
Vehicles	5-10

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>Governmental Activities</u>	
General government	\$ -
Public safety	-
Public works	-
Culture & recreation	-
Total depreciation expense-governmental activities	<u>\$ -</u>
<u>Business-Type Activities</u>	
Electric department	\$ 228,733
Water & sewer	455,990
Total depreciation expense-business-type activities	<u>\$ 684,723</u>

Interest is capitalized on proprietary fund asset constructed with the proceeds of tax exempt debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

GASB No. 34 requires the City to report and depreciate new infrastructure assets effective June 15, 2002. Infrastructure assets include roads, bridges, sidewalks, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure was subject to an extended implementation period and is mandated to be reported for the fiscal year ending 2006. The city has not complied with the GASB mandate at this time.

NOTE 7- LONG-TERM DEBT

• General Obligation Bonds:

General obligation bonds include General City Bonds, Water & Sewer G.O. Bonds, and Industrial G.O. Bonds. Resolutions adopted by the City authorizing the issuance of Water & Sewer Department bonds set forth certain accounting requirements concerning revenues. The City complied, in all material respects with these requirements. The City is required to transfer revenues into restricted funds on a monthly basis until certain maximum fund balances have been achieved. Restricted funds had either attained their maximum balances or required transfers were being made.

The city collects rental payments from various companies, equal to the debt service requirements, for Industrial General Obligation Bonds. Title to the property and equipment purchased from bond proceeds will pass to each company upon retirement of the applicable bonds.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

NOTE 7- LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all general obligation bonds, electric revenue bonds, capital leases and notes outstanding as of September 30, 2009, are below:

Year Ending September 30,	Governmental Funds	Business-Type Activities	Total
2010	\$ 169,265	\$ 353,271	\$ 522,536
2011	130,433	358,829	489,262
2012	129,570	373,575	503,145
2013	140,317	393,072	533,389
2014	-	413,630	413,630
Thereafter	-	4,388,427	4,388,427
Total future minimum lease payments	569,585	6,280,804	6,850,389
Amount representing interest	60,002	2,714,782	2,774,784
Present value of future lease payments	\$ 629,587	\$ 8,995,586	\$ 9,625,173

Capital Leases

The following is a schedule of required future minimum lease payments:

	Governmental Funds	Business- Type Activities	Total
Lease agreements are as follows:			
(4) 2009 Crown Victoria: \$98,334, int. 3.00%, maturity 2/5/13 date issued 10/3/02-BancorpSouth-Equipment Finance	\$ 98,334	\$ -	\$ 98,334
2007 E350 Van: \$21,065, int. 4.44%, maturity 5/5/10 date issued 10/3/02-BancorpSouth-Equipment Finance	4,926	-	4,926
Backhoe: \$53,832, interest 4.25%, maturity date 1/10/10 date issued 10/3/02-BancorpSouth-Equipment Finance	6,325	-	6,325
2006 International: \$44,689, interest 3.30%, maturity date 2/15/10 date issued 2/11/05-Renasant Bank (People's Bank)	4,013	-	4,013
All Funds	\$ 113,598	\$ -	\$ 113,598

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009
NOTE 7 - LONG TERM DEBT (CONTINUED)

	Balance Outstanding 10/01/08	Issued	Prior year adjustment	Retired	Balance Outstanding 09/30/09
Governmental Activities:					
General Obligation Bonds Payable					
GO Public Improvement Bonds-Series 1998	\$ 520,000	\$ -	\$ -	\$ 95,000	\$ 425,000
Total general obligation bonds payable	520,000	-	-	95,000	425,000
General Obligation (Notes Payable)					
Note payable-\$175,000	70,000			35,000	35,000
Total general obligation notes payable	70,000	-	-	35,000	35,000
General Obligation					
<i>Capital Lease-purchase agreements</i>					
Renasant Bank/(Peoples)-capital lease-\$44,689	13,423			9,410	4,013
BancorpSouth-capital lease/equip finance-\$98,334	-	98,334		-	98,334
BancorpSouth-capital lease/equip finance-\$44,940	13,061			13,061	-
BancorpSouth-capital lease/equip finance-\$53,928	24,773			18,448	6,325
BancorpSouth-capital lease/equip finance-\$21,065	12,047			7,121	4,926
Total Capital Lease	63,304	98,334	-	48,040	113,598
Total governmental activities	653,304	98,334	-	178,040	573,598
Gov'mntal Act-Other Long Term Dbt					
Compensated absences	502,165	-	-	75,707	426,458
Sub-total other long term debt	502,165	-	-	75,707	426,458
Total government long term debt	1,155,469	98,334	-	253,747	1,000,056
Business-Type Activities:					
Water & Sewer GO Bonds					
General Obligation Bonds-Series 2001	670,000			35,000	635,000
Subtotal water & sewer general obligation bonds	670,000	-	-	35,000	635,000
State Sewer Loan Fund					
Non-interest bearing note to Nanacor	129,413	-		-	129,413
Note payable w/ interest due on unpaid princp	625,411			47,975	577,436
Note payable to (MDOECD)	353,384			25,506	327,878
Note payable to USDA-8/20/1992	208,497			7,897	200,600
Note payable to USDA-9/18/2002	356,111			7,641	348,470
Note payable to USDA-3/3/2003	819,406			16,219	803,187
Note payable to USDA-3/24/2004	899,900			17,054	882,846
Note payable to USDA-due in mnthly instllmnts	321,977			2	321,975
Subtotal state sewer loan fund	3,714,099	-	-	122,294	3,591,805
Subtotal water & sewer funds bonds, notes, & capital leases	4,384,099	-	-	157,294	4,226,805
Business-Type -Other Long Term Debt					
Compensated absences	76,771	-	-	48,082	28,689
Subtotal other water & sewer long-term debt	76,771	-	-	48,082	28,689
Total water & sewer utility funds long-term debt	4,460,870	-	-	205,376	4,255,494
Notes payable-Regions Bank (TVA)	186,580	-	-	36,594	149,986
Electric Fund					
Electric Revenue Bonds					
Electric revenue bond \$1,150,000, mat-4/1/2021	890,000	-		45,000	845,000
Electric revenue bond \$1,735,000, mat-4/1/2016	1,180,000	-		125,000	1,055,000
Subtotal electric fund notes payable	2,070,000	-	-	170,000	1,900,000
Electric Fund -Other Long Term Debt					
Compensated absences	127,370	-	-	7,839	119,531
Subtotal other electric fund long-term debt	127,370	-	-	7,839	119,531
Total business-type activities long erm debt	6,844,820	-	-	419,809	6,425,011
Total long-term debt	\$ 8,000,289	\$ 98,334	\$ -	\$ 673,556	\$ 7,425,067

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

NOTE 7 -LONG TERM DEBT(CONTINUED)

Detail of bonds, notes, and capital leases outstanding:

	Interest Rates	Issue Date	Maturity Date	Original Amount	Balance September 30, 2009		
					Governmental Activities	Business-Type Activities	Total
General Obligation Bonds:							
Hancock Bank	3.88%	10/01/98	10/01/13	\$ 1,250,000	\$ 425,000	\$ -	\$ 425,000
First National Bank of Clarksdale	6.00%		9/03-9/04	875,000	-	635,000	635,000
Electric Revenue Bonds-Series 2001	5.0% to 7.0%	04/01/01	04/01/21	1,150,000	-	845,000	845,000
Electric Revenue Refunding Bonds-2003	1.5% to 4.3%	12/15/03	04/01/16	1,735,000	-	1,055,000	1,055,000
				5,010,000	425,000	2,535,000	\$ 2,960,000
Other Issued Debt:							
<i>Notes payable:</i>							
BancorpSouth	4.45%		11/17/09	175,000	35,000	-	35,000
Regions Bank-HVAC Loan	Varies	Varies	Varies			149,986	149,986
<i>State Revolving Loan:</i>							
Mississippi Development Authority	3.00%	11/25/97	01/01/19	996,798		577,436	577,436
Mississippi Development Authority	3.00%	10/06/89	06/01/20	539,500		327,878	327,878
Nanacor	Non int.	01/01/98	09/30/04	-		129,413	129,413
USDA Rural Development	5.63%	08/20/90	09/30/23	288,500		200,600	200,600
USDA Rural Development	4.50%	09/18/02	12/31/33	400,000		348,470	348,470
USDA Rural Development	4.50%	03/03/03	05/03/35	898,000		803,187	803,187
USDA Rural Development	4.13%	05/24/04	09/30/42	903,600		882,846	882,846
USDA Rural Development	4.13%		12/31/41	322,000		321,975	321,975
<i>Capital Leases:</i>							
Renasant Bank (People's)	3.30%	02/11/05	02/15/10	44,689	4,013		4,013
BancorpSouth Equipment Finance	4.25%	10/03/02	01/10/10	53,832	6,325	-	6,325
BancorpSouth Equipment Finance	4.44%	10/03/02	05/05/10	21,065	4,926	-	4,926
BancorpSouth Equipment Finance	3.00%	08/20/09	02/05/13	98,334	98,334	-	98,334
				4,741,318	148,598	3,741,791	3,890,389
				-	-	-	-
Total bonds, notes, & capital leases				9,751,318	573,598	6,276,791	6,850,389
		Compensated absences			426,458	148,220	574,678
Total Long-term debt				\$ 9,751,318	\$ 1,000,056	\$ 6,425,011	\$ 7,425,067

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2009

NOTE 7- LONG TERM DEBT (CONTINUED)

Annual debt service requirements to maturity for general obligation bonds are as follows:

Governmental Activities

	General Obligation Bonds Amount	Notes & Leases Amount	Total Outstanding Debt Amount
2010	\$ 100,000	\$ 73,278	\$ 173,278
2011	105,000	25,433	130,433
2012	105,000	24,570	129,570
2013	115,000	25,317	140,317
Thereafter	-	-	-
Total payments	425,000	148,598	573,598
Interest	52,119	8,708	60,827
Total	<u>\$ 477,119</u>	<u>\$ 157,306</u>	<u>\$ 634,425</u>

Business-Type Activities

	General Obligation Bonds Major Enterprise Fund, Water/Sewer and Electric	Notes & Leases Major Enterprise Fund, Water/Sewer, and Electric	Total Outstanding Debt Amount
2010	\$ 225,000	\$ 124,258	\$ 349,258
2011	230,000	128,829	358,829
2012	240,000	133,575	373,575
2013	255,000	138,072	393,072
2014	270,000	143,630	413,630
Thereafter	1,315,000	3,073,427	4,388,427
Total payments	2,535,000	3,741,791	6,276,791
Interest	697,824	2,016,925	2,714,749
Total	<u>\$ 3,232,824</u>	<u>\$ 5,758,716</u>	<u>\$ 8,991,540</u>

Maturities are as follows:

Year Ending September 30,	Amount
2010	\$ 522,536
2011	489,262
2012	503,145
2013	533,389
2014	413,630
Thereafter	4,388,427
Total future minimum payment	6,850,389
Amount representing interest	2,775,576
Present value of future payment	<u>\$ 9,625,965</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

NOTE 7- LONG TERM DEBT (CONTINUED)

- Limitation of Indebtedness:

No municipality shall hereafter issue bonds for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed 15 percent of the assessed value of the taxable property within such municipality, according to the then last completed assessment for taxation. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewer systems, gas, and light and power purposes and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case shall any municipality contract any indebtedness which, when added to all of the outstanding indebtedness, both bonded and floating, shall exceed 20 percent of the assessed value of all taxable property within such municipality. Nothing herein contained shall be construed to apply to bonds heretofore issued by any municipality for school purposes, or to bonds heretofore or hereafter issued by any municipality which are payable exclusively from the revenues of any municipally-owned utility, or to bonds issued by any municipality under the provisions of Sections 57-1 -1 to 57 -1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-4-1 through 21-41-53.

The following is a schedule of limitations on the indebtedness of the City, at September 30, 2009.

Authorized Debt Limit	<u>15 Percent</u>	<u>20 Percent</u>
Assessed valuation for fiscal year ended September 30, 2009	\$ 31,815,201	\$ 31,815,201
Debt limit-15% - 20%	4,772,280	6,363,040
Present debt subject to 15-20 percent limitation	(573,598)	
Including debt subject to only 15 percent limitation		(4,950,389)
Margin for further debt	<u>\$ 4,198,682</u>	<u>\$ 1,412,651</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

NOTE 8- INTERFUND BALANCES

Interfund Transactions

During the normal course of operations, the City has numerous transactions between funds including expenditures and transfers of resources. Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and assets acquisitions, or maintaining debt service on a routine basis. The governmental and business type funds reflect such transactions as operating transfers or interfund receivables. Interfund transfer in/transfer out, due from and due to balances as of September 30, 2009 were as follows:

Interfund operating transfers are as follows:

Fund	Transfer In	Transfer Out	Due From	Due to
Governmental Activities				
Common city fund	\$ 795,052	\$ 75,000	\$ -	\$ 480,320
Urban development	-	-	24,592	-
Cemetery maintenance	-	-	14,860	-
Public improvement	-	-	38,900	-
Port maintenance	-	-	1,250	-
Street paving fund-331	-	-	172	57,170
Police narcotics	-	-	-	775
Standard industrial fund	-	-	138,700	128,440
Street paving fund-105	-	-	187	36,000
Total governmental fund	<u>795,052</u>	<u>75,000</u>	<u>218,661</u>	<u>702,705</u>
Business-Type Activities				
<i>Water & sewer</i>				
Loan receivable	545,923	-	328,068	-
<i>Electric department</i>				
Accounts receivable- municipality	135,327	681,250	951,583	-
Accounts receivable- water	-	-	-	-
Total business-type activities	<u>681,250</u>	<u>681,250</u>	<u>1,279,651</u>	<u>-</u>
Agency/Fiduciary Funds				
Common city fund 10	-	-	294,676	-
Total agency/fiduciary funds	<u>-</u>	<u>-</u>	<u>294,676</u>	<u>-</u>
Totals	<u>\$ 1,476,302</u>	<u>\$ 756,250</u>	<u>\$ 1,792,988</u>	<u>\$ 702,705</u>
Out of balance		\$ (720,052)		\$ (1,090,283)

The out of balance amounts represented above are incorrectly reflected as revenue and/or expense in the fund level financial statements and resulted in a qualification of the audit opinion for the year ended September 30, 2009. Certain amounts, not shown here, were the result of timing differences due to the Electric department fiscal year end at June 30th. Those amounts were adjusted and corrected in the Government-wide presentation.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

NOTE 9-DEFERRED COMPENSATION

Deferred Compensation Plan

The City offers its employees, through the Mississippi Public Employees' Retirement System (PERS), a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employee to defer a portion of salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until retirement, termination, death, or the occurrence of an unforeseeable emergency. Investments are managed by the plan's trustee under one of four investment options, or a combination thereof. The choice of the investment option(s) is made by the participant.

Until January 1, 1997, deferred compensation, property and rights purchased with those amounts, and income attributable to those amounts, property, or rights were (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the Plan). Participants' rights under the Plan were equal to those of general creditors in an amount equal to the fair market value of the deferred account for each participant.

On January 1, 1997, the City amended the plan in accordance with the provisions of IRC Section 457(g). On that date, assets of the plan were placed in trust for the exclusive benefit of participants and their beneficiaries. The requirements of that IRC Section prescribe that the City no longer owns the amounts deferred by employees, including the related income on those amounts. Additionally, the City does not have fiduciary accountability for the plan.

NOTE 10- RISK MANAGEMENT

1. Workers' Compensation is provided in the State of Mississippi Liability Program.

2. Unemployment Benefits

The City participates in the State of Mississippi unemployment program and pays .005% of the 1st \$7,000 of salary for all covered employees. In addition, there is a Tax Reserve Fund which pays 2% on the 1st \$7,000 of salary per employee. Dollars are paid from this fund for wrongful termination and loss of job.

3. Tort Liability

In compliance with the Tort Claims, Chapter 46 of Title 11 and as amended by the 1993 legislature, Section 11-46-17(3) requires municipalities from and after October 1993, to obtain such policies of insurance, establish self-insurance reserves, or provide a combination of insurance and reserves necessary to cover risks of claims and suits for which the City may be liable under the Tort Claims Act.

In order to assure compliance with the Tort Claims Act, the Mississippi Tort Claims Board was established by House Bill 417. Municipalities are required to submit plans of insurance, self-insurance and or reserves to the Tort Claims Board for approval.

Municipalities may comply with the requirements of the Tort Claims Act by one of the following methods: (1) purchase of liability insurance, (2) pooling of two or more municipalities or other political subdivisions or, to self-insure, (3) self-insure with the establishment of a self-insurance reserve fund. The City is in compliance by using method number one as indicated above.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

NOTE 10-RISK MANAGEMENT (CONTINUED)

4. Contingencies and Commitments

The City participated in a number of Federal, State and County programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. The City believes that disallowed expenditures, if any, found in subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

The City has various commitments under construction contracts. Total estimated cost to complete the projects approximates \$56,300 with various expected completion dates through September 30, 2010.

The City is defendant in various law suits and potential claims against the City. The eventual outcomes are undeterminable at this time as to their ultimate disposition and resultant settlements, if any. Management believes that settlement, if any, will be covered by liability insurance.

The City entered into a joint and several relationships with other public entities in the Mississippi Municipal Workers' Compensation Group and the Mississippi Municipal Liability Group. Each member shares responsibility for premium contributions based on payroll and their own loss experience as well as assessments needed for fund inadequacies. They also share the benefit of fund surplus in the form of dividends when applicable. No assessment was made or is probable for the year ended September 30, 2009.

The city of Aberdeen 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. Significant losses are covered by commercial insurance for all major programs of the City except for certain employment practices liabilities, certain environmental liabilities, workers compensation liabilities funded through a public entity risk pool, and catastrophic natural disasters that may exceed insurance coverage for which the City retains the risk of loss.

Risk of loss related to workers compensation for injuries to City employees is covered through the Mississippi Municipal Worker's Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers' compensation and employers liability coverage. The City pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

NOTE 11 - DETAILED NOTES ON ALL FUNDS

Analysis of Net Assets:

	Governmental Net Assets				Business-Type Activities				Primary Gov't Total
	Invstd in Cap				Invstd in Cap				
	Assets, Net				Assets, Net				
	<u>of Debt</u>	<u>Rest'd</u>	<u>Unrest'd</u>	<u>Total</u>	<u>of Debt</u>	<u>Rest'd</u>	<u>Unrest'd</u>	<u>Total</u>	<u>Total</u>
Bal 9/30/2008	\$ 411,666	\$ 164,545	\$ (383,138)	\$ 193,073	\$ 13,982,438	\$ 1,770,472	\$ 2,315,256	\$ 18,068,166	\$ 18,261,239
<u>Prior Yr Adjmts:</u>									
Sub-total	411,666	164,545	(383,138)	193,073	13,982,438	1,770,472	2,315,256	18,068,166	18,261,239
Equity Transfers									
Interfund elimination		(128,582)	(50,461)	(179,043)	140,650	137,926	(293,532)	(14,956)	(193,999)
New debt issued	(98,334)			(98,334)				-	(98,334)
Notes rec-UDAG			42,743	42,743				-	42,743
Accrued wages			(48,940)	(48,940)					(48,940)
Loan origination fees		39,669	-	39,669					39,669
Compensated absences			75,707	75,707				-	75,707
Accrued interest expense			(3,138)	(3,138)					(3,138)
Depreciation expense			-	-	(684,723)			(684,723)	(684,723)
Debt payment	178,040		-	178,040	363,888			363,888	541,928
Prepaid expenses			(1,579)	(1,579)				-	(1,579)
Excess rev (exp)		83,666	77,079	160,745				-	160,745
Chg in Net Assets	79,706	(5,247)	91,411	165,870	(180,185)	137,926	(293,532)	(335,791)	(169,921)
Bal 9/30/2009	\$ 491,372	\$ 159,298	\$ (291,727)	\$ 358,943	\$ 13,802,253	\$ 1,908,398	\$ 2,021,724	\$ 17,732,375	\$ 18,091,318

REQUIRED SUPPLEMENTAL INFORMATION

City of Aberdeen Mississippi
Budgetary Comparison Schedule (Common Fund Fund)
For the year ended September 30, 2009

	General Fund			Actual Over Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem (property) taxes	\$ 1,911,280	\$ 1,988,247	\$ 1,959,618	\$ (28,629)
Sales taxes	961,931	815,840	876,898	61,058
Charges for services	993,577	1,029,329	1,020,665	(8,664)
Intergovernmental	14,050	36,870	67,445	30,575
Investment income	500	171	171	-
Leases	21,975	27,272	27,532	260
Contributions	-	3,720	11,171	7,451
Miscellaneous	10,000	-	183,841	183,841
Total revenue	3,913,313	3,901,449	4,147,341	245,892
Expenditures:				
General government	1,646,375	1,868,899	1,978,128	(109,229)
Parks & recreation	330,071	325,477	316,501	8,976
Public safety	1,668,158	1,603,090	1,598,681	4,409
Public works	993,709	893,063	881,612	11,451
Capital outlay	-	-	57,184	(57,184)
Debt service:				
Principal	-	-	-	-
Interest and paying agent fee	-	-	-	-
Total expenditures	4,638,313	4,690,529	4,832,106	(141,577)
Excess of revenues over (under) expenditures	(725,000)	(789,080)	(684,765)	104,315
Other financing sources (uses):				
Proceeds from loan	-	-	200,000	200,000
Transfer in	725,000	793,750	795,052	1,302
Transfer out	-	(75,000)	(75,000)	-
Insurance proceeds	-	-	6,279	6,279
Sale of capital assets	-	-	35,513	35,513
Total other financing sources (uses)	725,000	718,750	961,844	243,094
Excess of revenues and other sources over (under) expenditures and other uses	-	(70,330)	277,079	347,409
Cash balances, beginning of year	66,752	66,752	66,752	-
Prior year adjustments & cash transfers	-	-	-	-
Cash balances, end of year	\$ 66,752	\$ (3,578)	\$ 343,831	\$ 347,409

Net change in cash balance

Adjustments necessary to convert the results of operation at end of year on the budget basis to the modified accrual basis (GAAP) are as follows:

Excess of revenues and other sources over (under) expenditures and other uses per the Budgetary Comparison Schedule	277,079
(Increases) decreases from revenues	(245,892)
(Increases) decreases from expenditures	384,671
Accrued as liabilities at September 30, 2008 (GAAP) but not in budget	(338,779)
Net change in fund balance per the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 77,079

See Independent Auditor's Report and Notes to the Financial Statements.

SINGLE AUDIT SECTION

**Charles Buchanan, CPA
Certified Public Accountant
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(888)-869-2720(ofc)/(888)-862-6459(fax)**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor
Members of the Board of Alderman
City of Aberdeen, Mississippi

I have audited the accompanying financial statements of the City of Aberdeen, Mississippi ("the City") as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements, and have issued my report thereon dated June 30, 2010. I issued an adverse opinion in my report on the primary government because the City did not properly value fixed assets, depreciation expense, accumulated depreciation, related court fines doubtful accounts, amortize loan issue costs, and incorrectly recorded intercompany transactions, and omitted certain pension disclosure for the year under audit. As a result, I was unable to form an opinion as to completeness regarding revenues and expenditures in the accompanying statement of activities. Except as discussed in the preceding sentence, I conducted my 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.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. [2008-1 through 2008-3].

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, I consider items 2008-1 through 2008-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of law, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as findings 2008-1 through 2008-3.

We noted certain matters that we reported to management of the City in a separate letter dated June 30, 2010.

The City's responses to the findings identified in my audit are described in its Corrective Action Plan. I did not audit the City's responses and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Mayor, Board of Aldermen, management, office of the State Auditor of the State of Mississippi, federal-awarding agencies, and pass-through entities, 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.

Charles Buchanan, CPA
Jackson, MS
June 30, 2010

City of Aberdeen, Mississippi
Schedule of Findings and Questioned Costs
For the year ended September 30, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Adverse

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to the financial statements noted? yes no

Section II - Financial Statement Findings

This section includes audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

- 2009-1 Finding:** **Transfers in/out and Intercompany Due to/Due from Not in Agreement and Duplicated Revenues/Expenses.**
- Condition:** Accounting leadership and personnel routinely incorrectly record interfund transfers as revenue or expense indicating a lack of knowledge of fund accounting. Equity transfers (transfers of monies between funds) were recorded as income and expenses (PILOT, tax revenue distributions), thereby double reporting revenues and expenses.
- Criteria:** A transfer of funds from one account should be recorded as a transfer out in the transferring fund and as a transfer in to the receiving fund. This requires two separate transactions; one for each fund. When the Board determines that funds should be repaid as a result of a transfer, this creates a "Due to & Due From", or a temporary loan. When this transaction is performed, it also requires two separate transactions; one for each fund. Simply put, if there is a transfer of funds whether it is required to be repaid or not, there must be a transfer in and a transfer out, or a due to and a due from.
- Cause:** Accounting leadership did not understand government fund accounting, or if so, failed to adequately supervise accounting personnel responsible for recording such transactions and failed to review, analyze, and correct the books of accounts on a regular basis.
- Effect:** Equity transfers and temporary loans were recorded as revenues and/or expenses causing duplicate reporting of revenues and expenses.
- Recommendation:** We recommend additional accounting training in fund accounting or accounting leadership that understands government accounting.
- 2009-2 Finding:** Accounting personnel failed to reconcile or cause to be reconciled certain city bank accounts; closed a certain bank account and transferred city funds to a Certificate of Deposit without board authorization or the City Clerk's knowledge; expensed (wrote off) the Certificate of Deposit and did not record it on the City's books for 4 years after the prior auditor put it back on the books three times.
- Condition:** Accounting personnel failed to reconcile 19 of 52 City bank accounts to the financial statements for the past two years, FY 2008 and 2009. Of the 33 bank accounts that were reconciled, 9 included only interest income being added to the account; 21 involved interest and transfers from other City-owned accounts to maintain bond covenants. Of the 3 bank accounts that were reconciled, only the Common City Fund was reconciled properly. The water & sewer and electric department funds accounts were reconciled to an incorrect balance (a balance that did not agree or reconcile with the financial statements).
- Criteria:** Bank accounts must be reconciled to the financial statements accurately and timely to ensure all receipts and disbursements are reflected in the City's financial statements and to account for all City funds. A full and accurate accounting of City funds is necessary to ensure financial accountability and stewardship of tax dollars. It is impossible to present fair financial statements with improper or unreconciled bank statements. It is also necessary to determine whether funds have been misapplied.
- Cause:** Accounting personnel failed to reconcile or cause to be reconciled certain City bank accounts.
- Effect:** The City's financial statements (budget) were grossly incorrect each month. At June 30, 2009, the Electric Department general fund account reported \$998,504; the correct reconciled balance was \$129,708; a difference of \$868,796.

City of Aberdeen, Mississippi
Schedule of Findings and Questioned Costs
For the year ended September 30, 2009

Section II - Financial Statement Findings(continued)

Recommendation: Certain employees left the City in late 2009. Since the audit began, the current Comptroller has correctly prepared all bank statement reconciliations allowing the corrections to be recorded to the FY 2008 and 2009 audits. The cash balances reported in the audit are correctly reconciled. This issue has been resolved.

2008-3 Finding: The City has not fully implemented GASB-34 which, among other things, requires all governments to value and record capital assets including infrastructure, vehicles, buildings, land and other fixed assets.

Condition: The City's governmental activities does not fully report its capital assets consisting of buildings, streets, sidewalks, signal lights, and other fixed assets. The governmental activities do not report depreciation expense on those assets that are reported.

Criteria: GASB-Statement 34, effective during 2002, required the City to record, value, depreciate and report capital assets no later than FY 2006. The City has not fully implemented GASB-S34.

Cause: The City's finances and accounting leadership were not adequate to fully implement GASB-S34.

Effect: The City is required to receive an adverse opinion

Recommendation: We recommend the City develop a financial plan to fully implement all GASB pronouncements. The City may consider implementing the accounting standards in phases, utilizing whatever amount of funds the Board considers available annually, perhaps over five years, or such other plan that the City considers feasible under the current and anticipated budgets.

City of Aberdeen, Mississippi
Summary Schedule of Prior Year Audit Findings
For the year ended September 30, 2009

The prior year audit report issued for the year ended September 30, 2008, included audit findings that *Governmental Auditing Standards* requires to be reported for an audit of financial statements.

07-1 Finding: The City failed to maintain a complete fixed asset inventory listing.(Repeat 2007, 2006, 2005).

Status: Not implemented.

07-2 Finding: The City failed to budget & monitor certain funds & incurred over runs.(Repeat 2007, 2006, 2005).

Status: Not implemented.

07-3 Finding: The City Utility Department failed to enforce its cutoff policy.(Repeat 2008, 2007).

Status: Not implemented.

**CITY OF ABERDEEN, MISSISSIPPI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior report's Schedule of Findings and Questioned Costs. The summary schedule also must include finding reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the year ended September 30, 2008, included no audit finding that OMB A-133 requires to be reported for an audit of financial statements.

SUPPLEMENTAL INFORMATION

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

Honorable Mayor
Members of the Board of Aldermen
City of Aberdeen, Mississippi

I have audited the financial statements of the City of Aberdeen Mississippi as of and for the year ended September 30, 2009, and have issued my report thereon dated June 30, 2010. I conducted my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of those procedures and my audit of the basic financial statements disclosed material instances of noncompliance with state laws and regulations. Prior year findings were also noted in the 2008 audit.

Current year findings

2009-4- The Mississippi State Auditor prescribes the structure of the Chart of Accounts for the City's Common City, Water & Sewer, and Electric Funds. Yet the City utilizes TVA's account structure which does not comply with State statutes. Furthermore, TVA has no authority over the City's water & sewer fund.

2009-5- The City does not maintain an inventory listing of fixed assets as required by State statute; nor does the City value governmental activities capital assets as required by GASB-34. State laws require the City to maintain a complete fixed asset inventory listing, to tag all fixed assets, and to perform an annual fixed asset inventory.

A summary of prior year finding status is as follows:

<u>Finding:</u> 07-1-	Fixed assets not inventoried, tagged
<u>Status:</u>	Not implemented
<u>Finding:</u> 07-2-	Certain budgets not prepared/monitored
<u>Status:</u>	Not implemented

The instances of noncompliance of the prior year have been corrected by management unless it is specifically stated otherwise in the findings and recommendation noted above.

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 solely for the use of the audit committee, Mayor, Board of Alderman, 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.

Charles Buchanan, CPA
Jackson, MS
June 30, 2010

City of Aberdeen, Mississippi
Combining Balance Sheet-General Funds
For the year ended September 30, 2009

	Common			Total
	City/ General Fund	Gaming Fund	Internal Service Fund	
Assets				
Pooled cash and investments	\$ 4,811	\$ -	\$ -	\$ 4,811
Taxes receivable, net of allowances	132,532	-		132,532
Municipal fines receivable, net of allowance	106,267			106,267
Total assets	243,610	-	-	243,610
Liabilities				
Bank overdraft	-	-	-	-
Accounts payable and accrued expenses	178,519	-	-	178,519
Deferred revenue	162,500	-	-	162,500
Wages payable	232	-	-	232
Due to other funds	480,160	-	-	480,160
Total liabilities	821,411	-	-	821,411
Fund balances				
Reserved for encumbrances	-	-	-	-
Reserved for prepaid expenses & inventory	-	-	-	-
Unreserved	(577,801)	-	-	(577,801)
Total fund balances	(577,801)	-	-	(577,801)
Total liabilities and fund balances	\$ 243,610	\$ -	\$ -	\$ 243,610

See Independent Auditor's Report and Notes to the Financial Statements.

City of Aberdeen, Mississippi
Statement of Revenues, Expenditures, and Changes in Fund Balances - General Funds
For the year ended September 30, 2009

Revenues	Common City/General Fund	Gaming Fund	Internal Service Fund	Total
Realty taxes	\$ 385,190	\$ -	\$ -	\$ 385,190
Personal property taxes	1,310,073	-	-	1,310,073
Auto taxes	205,570	-	-	205,570
Franchise taxes	58,785	-	-	58,785
Sales taxes	876,898	-	-	876,898
Fines, fees, licenses, and permits	1,020,665	-	-	1,020,665
Intergovernmental	67,445	-	-	67,445
Investment income	171	-	-	171
Leases	27,532	-	-	27,532
Contributions	11,171	-	-	11,171
Miscellaneous	183,841	-	-	183,841
Total revenues	<u>4,147,341</u>	<u>-</u>	<u>-</u>	<u>4,147,341</u>
Expenditures				
General government	1,978,128	-	-	1,978,128
Parks and recreations	316,501	-	-	316,501
Public safety	1,598,681	-	-	1,598,681
Public works	881,612	-	-	881,612
Capital outlay	57,184	-	-	57,184
Debt service:				
Principal	-	-	-	-
Interest and paying agent fee	-	-	-	-
Total expenditures	<u>4,832,106</u>	<u>-</u>	<u>-</u>	<u>4,832,106</u>
Excess of revenues over (under) expenditures	<u>(684,765)</u>	<u>-</u>	<u>-</u>	<u>(684,765)</u>
Other financing sources (uses):				
Proceeds from loan	-	-	-	-
Transfer in	795,052	-	-	795,052
Transfer out	(75,000)	-	-	(75,000)
Insurance proceeds	6,279	-	-	6,279
Sale of capital assets	35,513	-	-	35,513
Transfer to outside agency	-	-	-	-
Total other financing sources (uses)	<u>761,844</u>	<u>-</u>	<u>-</u>	<u>761,844</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>77,079</u>	<u>-</u>	<u>-</u>	<u>77,079</u>
Fund balances, beginning of year	<u>(654,880)</u>	<u>-</u>	<u>-</u>	<u>(654,880)</u>
Prior year adjustments & equity transfers	-	-	-	-
Fund balances, end of year	<u><u>\$ (577,801)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (577,801)</u></u>

See Independent Auditor's Report and Notes to the Financial Statements.

City of Aberdeen, Mississippi
 Combining Balance Sheet-Nonmajor Governmental Funds
 For the year ended September 30, 2009

	HOME	Municipal	S & J	Tourism	Street Paving	Standard	Urban	Cemetery	Port	Police	Law	Street	Park	1998 Public	2007 Street	Total Non-
	Grant Fund	Fire Fund	Escrow Fund	Fund	Fund	Industrial Fund	Development Fund	Maintenance Fund	Maintenance Fund	Narcotics Fund	Enforcement Block Grant	Pavement Fund	Maintenance & Construction Fund	Improvement Fund	Bond Fund	Major Governmental Funds
Assets																
Pooled cash and investments	\$ 29	\$ 67,213	\$ 178,188	\$ 25,385	\$ -	\$ 387,195	\$ 138,748	\$ 12,927	\$ 295,734	\$ 22,889	\$ 493	\$ 17,998	\$ 1,436	\$ 27,798	\$ 10,641	\$ 1,186,674
Accounts receivables	-	-	-	-	-	188	-	-	-	3,572	-	-	-	-	-	3,760
Taxes receivable	-	-	-	7,768	-	-	-	-	-	-	-	54,735	-	-	-	62,503
Notes receivable, net of allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	172	138,700	24,592	14,860	1,250	-	-	187	-	38,900	-	218,661
Restricted assets-cash	-	-	-	-	45,346	-	-	-	-	-	-	-	-	-	-	45,346
Restricted assets-investments	-	-	-	-	113,952	-	-	-	-	-	-	-	-	-	-	113,952
Total assets	29	67,213	178,188	33,153	159,470	526,083	163,340	27,787	296,984	26,461	493	72,920	1,436	66,698	10,641	1,630,896
Liabilities																
Bank overdraft	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable and accrued expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	39,669	-	39,669
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wages payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Encumbrance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	160	57,170	128,440	-	-	-	775	-	36,000	-	-	-	222,545
Total liabilities	-	-	-	160	57,170	128,440	-	-	-	775	-	36,000	-	39,669	-	262,214
Fund balances																
Reserved for encumbrances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserved for debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	27,029	-	27,029
Unreserved	29	67,213	178,188	32,993	102,300	397,643	163,340	27,787	296,984	25,686	493	36,920	1,436	-	10,641	1,341,653
Total fund balances	29	67,213	178,188	32,993	102,300	397,643	163,340	27,787	296,984	25,686	493	36,920	1,436	27,029	10,641	1,368,682
Total liabilities and fund balances	\$ 29	\$ 67,213	\$ 178,188	\$ 33,153	\$ 159,470	\$ 526,083	\$ 163,340	\$ 27,787	\$ 296,984	\$ 26,461	\$ 493	\$ 72,920	\$ 1,436	\$ 66,698	\$ 10,641	\$ 1,630,896

City of Aberdeen, Mississippi
Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
For the year ended September 30, 2009

	HOME Grant Fund	Municipal Fire Fund	S & J Escrow Fund	Tourism Fund	Street Paving Fund	Standard Industrial Fund	Urban Development Fund	Cemetery Maintenance Fund	Port Maintenance Fund	Police Narcotics Fund	Law Enforcement Block Grant	Street Pavement Fund	Park Maintenance & Construction Fund	Public Improvement Fund	2007 Street Bond Fund	Total Non-Major Governmental Funds
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 31,716	\$ 13,231	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,540	\$ -	\$ 141,487
Personal taxes	-	-	-	-	-	-	-	-	58,000	-	-	-	-	-	-	58,000
Auto taxes	-	-	-	-	-	1,832	-	-	-	-	-	62	-	13,310	-	15,204
Franchise taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gaming taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas, fuel and road taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, fees, licenses, and permits	-	33,898	-	36,633	-	-	-	-	-	31,529	-	-	-	-	-	102,060
Intergovernmental	-	-	-	49,385	-	-	-	-	-	-	-	-	-	-	-	49,385
Investment income	-	42	1,842	18	34	376	9,577	8	253	50	1	19	1	76	-	12,297
Leases	-	-	-	-	-	16,503	-	-	18,200	-	-	-	-	-	-	34,703
Contributions	-	-	-	2,410	-	-	-	-	-	-	-	-	-	-	-	2,410
Miscellaneous	-	-	-	-	-	-	-	12,589	-	-	-	-	-	43	52,303	64,935
Total revenues	-	33,940	1,842	88,446	31,750	31,942	9,577	12,597	76,453	31,579	1	81	1	109,969	52,303	480,481
Expenditures																
General government	-	-	-	80,930	-	4,580	136,760	-	-	-	-	-	-	-	-	222,270
Public safety	-	-	-	-	48,606	-	-	-	-	9,142	-	-	-	-	-	57,748
Public works	-	-	-	-	-	-	-	-	3,834	-	-	-	-	39,854	-	43,688
Culture and recreational	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airport	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	202	-	-	-	-	-	5,382	-	-	-	-	-	5,584
Debt service:																
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	106,095	-	106,095
Interest and paying agent fee	-	-	-	-	3,292	-	-	-	-	-	-	-	-	10,075	41,662	55,029
Total expenditures	-	-	-	81,132	51,898	4,580	136,760	-	3,834	14,524	-	-	-	156,024	41,662	490,414
Excess of revenues over (under) expenditures	-	33,940	1,842	7,314	(20,148)	27,362	(127,183)	12,597	72,619	17,055	1	81	1	(46,055)	10,641	(9,933)
Other financing sources (uses):																
Proceeds from loan	-	-	-	-	14,900	-	40,729	-	-	-	-	-	-	-	-	55,629
Transfer in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	37,970	-	-	-	-	-	-	37,970
Transfer to outside agency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	14,900	-	40,729	-	37,970	-	-	-	-	-	-	93,599
Excess of revenues and other sources over (under) expenditures and other uses	-	33,940	1,842	7,314	(5,248)	27,362	(86,454)	12,597	110,589	17,055	1	81	1	(46,055)	10,641	83,666
Fund balances, beginning of year	29	33,273	176,346	25,679	107,548	370,281	249,794	15,190	186,395	8,631	492	36,839	1,435	73,084	-	1,285,016
Prior year adjustments & equity transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund balances, end of year	\$ 29	\$ 67,213	\$ 178,188	\$ 32,993	\$ 102,300	\$ 397,643	\$ 163,340	\$ 27,787	\$ 296,984	\$ 25,686	\$ 493	\$ 36,920	\$ 1,436	\$ 27,029	\$ 10,641	\$ 1,368,682

City of Aberdeen, Mississippi
Combining Statement of Net Assets - Major Proprietary Funds
For the year ended September 30, 2009

	Water/Sewer Utility	Electric Fund	Total
Assets			
Cash and cash equivalents	\$ 136,414	\$ 130,208	\$ 266,622
Accounts receivable, less allowances	225,733	1,279,156	1,504,889
Prepaid expenses	5,850	45,943	51,793
Inventories	45,809	161,187	206,996
Interest receivable	16,413	-	16,413
Due from other funds	328,068	951,583	1,279,651
Total current assets	<u>758,287</u>	<u>2,568,077</u>	<u>3,326,364</u>
Capital assets			
Land	123,347	73,112	196,459
Buildings and improvements	195,727	1,618,317	1,814,044
Improvements other than buildings	1,166	-	1,166
Machinery and equipment	21,854,961	8,544,813	30,399,774
Infrastructure	-	-	-
Construction in progress	-	-	-
Total capital assets	<u>22,175,201</u>	<u>10,236,242</u>	<u>32,411,443</u>
Less: accumulated depreciation	<u>(7,275,086)</u>	<u>(5,057,313)</u>	<u>(12,332,399)</u>
Capital assets, net	<u>14,900,115</u>	<u>5,178,929</u>	<u>20,079,044</u>
Non-current assets			
Cash-restricted	1,298,727	609,671	1,908,398
Other assets			
Notes receivable, net of allowance-non-current (note 1)	76,101	379,817	455,918
Transportation clearing	-	37,339	37,339
Loan origination fees/bond issuance cost (net of amortization)	53,638	74,906	128,544
Total non-current assets	<u>1,428,466</u>	<u>1,101,733</u>	<u>2,530,199</u>
Total assets	<u>17,086,868</u>	<u>8,848,739</u>	<u>25,935,607</u>
Liabilities			
Current liabilities			
Accounts/claims payable	50,133	1,303,940	1,354,073
Deferred charges	-	17,889	17,889
Wages payable	5,895	21,748	27,643
Due to other funds	-	-	-
Current portion of long-term debt			
Accrued compensated absences	28,689	50,948	79,637
Notes payable	124,258	-	124,258
General obligation bonds	40,000	185,000	225,000
Total current liabilities	<u>248,975</u>	<u>1,579,525</u>	<u>1,828,500</u>
Current liabilities payable from restricted assets			
Customer deposits	73,847	254,831	328,678
Accrued interest payable	30,084	19,854	49,938
Total current liabilities payable from restricted assets	<u>103,931</u>	<u>274,685</u>	<u>378,616</u>
Long-term debt (less amounts classified as current liabilities)			
Revenue bonds (net of unamortized discount/premium)			
Accrued compensated absences	-	68,583	68,583
General obligation bonds	595,000	1,715,000	2,310,000
Notes payable	3,467,547	149,986	3,617,533
Total long-term debt	<u>4,062,547</u>	<u>1,933,569</u>	<u>5,996,116</u>
Total liabilities	<u>4,415,453</u>	<u>3,787,779</u>	<u>8,203,232</u>
Net assets			
Invested in capital assets, net of related debt	10,673,310	3,128,943	13,802,253
Restricted for debt service	1,298,727	609,671	1,908,398
Unrestricted	699,378	1,322,346	2,021,724
Total net assets	<u>12,671,415</u>	<u>5,060,960</u>	<u>17,732,375</u>
Total liabilities/net assets	<u>\$ 17,086,868</u>	<u>\$ 8,848,739</u>	<u>\$ 25,935,607</u>

See independent auditor's report and notes to the financial statements.

City of Aberdeen, Mississippi
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Major Proprietary Funds
For the year ended September 30, 2009

	Water/Sewer Utility	Electric Fund	Total
Operating revenues			
Charges for services	\$ 1,141,148	\$ 13,766,424	\$ 14,907,572
Other revenues	656,015	205,435	861,450
Total operating revenues	<u>1,797,163</u>	<u>13,971,859</u>	<u>15,769,022</u>
Operating expenses			
Operations	373,129	992,200	1,365,329
Purchase power	5,314	11,952,072	11,957,386
Maintenance	1,621,794	239,724	1,861,518
Taxes	-	-	-
Depreciation expense	455,990	228,733	684,723
Total operating expenses	<u>2,456,227</u>	<u>13,412,729</u>	<u>15,868,956</u>
Operating income (loss)	<u>(659,064)</u>	<u>559,130</u>	<u>(99,934)</u>
<i>Non-operating revenues (expenses):</i>			
Interest income	39,788	2,900	42,688
Interest expense	(168,330)	(110,215)	(278,545)
Amortization expense	-	-	-
Gain (loss) on sale of fixed assets	-	-	-
Operating grants	-	-	-
Miscellaneous-expense	-	-	-
Total non-operating revenues (expenses)	<u>(128,542)</u>	<u>(107,315)</u>	<u>(235,857)</u>
Income (loss) before contributions and transfers	<u>(787,606)</u>	<u>451,815</u>	<u>(335,791)</u>
<i>Other financing sources (uses)</i>			
Transfers in	545,923	135,327	681,250
Bad debt	-	-	-
Transfers out	-	(681,250)	(681,250)
Total transfers in (out)	<u>545,923</u>	<u>(545,923)</u>	<u>-</u>
Change in net assets	<u>(241,683)</u>	<u>(94,108)</u>	<u>(335,791)</u>
Total net assets - beginning	12,913,098	5,155,068	18,068,166
Prior period adjustments			-
Total net assets - ending	<u><u>\$ 12,671,415</u></u>	<u><u>\$ 5,060,960</u></u>	<u><u>\$ 17,732,375</u></u>

See independent Auditor's Report and Notes to the Financial Statements.

City of Aberdeen, Mississippi
Combining Statement of Fiduciary Assets and Liabilities
For the year ended September 30, 2009

Assets	Tax Redemption Fund	Payroll Clearing Fund	City Clerks Tax Clearing	Statement of Fiduciary Net Assets
Cash	\$ -	\$ -	\$ -	\$ -
Restricted cash-Payroll	68,104	(2,667)	7,609	73,046
Restricted cash-Pers clearing		(32)		(32)
Restricted cash-Insurance clearing		46		46
Tax receivables	-	-	39,325	39,325
Due from other funds	220,724	58,802	15,150	294,676
Total assets	288,828	56,149	62,084	407,061
Liabilities				
Due to taxing authorities	-	56,149	-	56,149
Due to others	288,828	-	62,084	350,912
Total liabilities	\$ 288,828	\$ 56,149	\$ 62,084	\$ 407,061

See Independent Auditor's Report and Notes to the Financial Statements.

City of Aberdeen, Mississippi
Schedule of Surety Bonds
September 30, 2009

Position	Surety Company	Bond Amt.
Mayor	Union Insurance Co.	\$ 100,000
Alderman	Great River Insurance	100,000
Alderman	Great River Insurance	100,000
Alderman	Great River Insurance	100,000
Alderman	Great River Insurance	100,000
Alderman	Great River Insurance	100,000
City Clerk	Travelers	50,000
City Comptroller	USF&G	50,000
Accounting Clerk	Union Insurance Co.	50,000
Police Chief	Western Surety	50,000
Utility Manager	Union Insurance Co	50,000
Cashier	Western Surety	50,000
Mayor Secretary	Western Surety	50,000
Police Mayor	Union Insurance Co.	50,000
Clerk	Berkley	50,000
Clerk	Berkley	50,000
Municipal Court Clerk	Western Surety	25,000
Clerk	Berkley	25,000
Caretaker-Morgan's Landing	Union Insurance Co.	25,000
Caretaker-Morgan's Landing	Union Insurance Co.	25,000
Cashier	Western Surety	10,000
Cashier	Western Surety	10,000
Cashier	Union Insurance Co.	10,000
Customer Service	Western Surety	10,000
Meter Reader	Union Insurance Co.	10,000
Meter Reader	Union Insurance Co.	10,000
Parks Director	Travelers	10,000
Police Dispatcher	Western Surety	10,000
Police Dispatcher	Western Surety	10,000
Police Dispatcher	Western Surety	10,000
Police Dispatcher	Western Surety	10,000