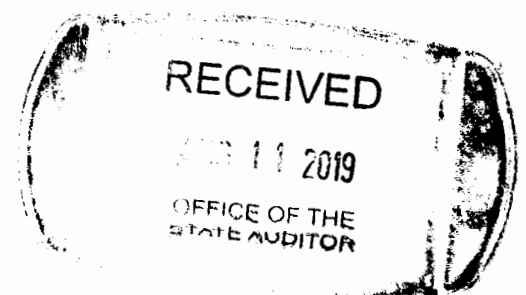




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**CITY OF ABERDEEN, MISSISSIPPI**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR**  
**ENDED SEPTEMBER 30, 2018**



# CITY OF ABERDEEN, MISSISSIPPI

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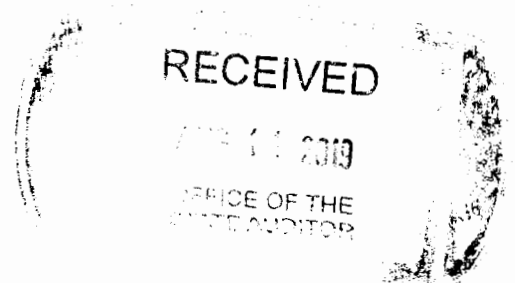
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## INTRODUCTORY SECTION



**CITY OF ABERDEEN, MISSISSIPPI**  
**DIRECTORY**  
September 30, 2018

**ELECTED OFFICIALS**

Maurice Howard, Mayor  
Alonzo Sykes, Alderman  
David Ewing, Alderman  
Carolyn Odom, Alderman  
Jim Buffington, Alderman  
Doug Stone, Alderman

**COUNSEL**

Robert Faulks  
Aberdeen, Mississippi

**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Alexander Thompson Arnold PLLC  
Jackson, Tennessee

## **FINANCIAL SECTION**



Alexander Thompson Arnold PLLC

227 Oil Well Road, Jackson, TN 38305

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## Independent Auditor's Report

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aberdeen, Mississippi, (the City) as of and for the year ended September 30, 2018 (Electric Dept. is as of June 30, 2018), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aberdeen, Mississippi, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, required supplementary information related to pensions, and Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Aberdeen's basic financial statements. The introductory section and the supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2019 on our consideration of the City of Aberdeen's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and



other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Aberdeen's internal control over financial reporting and compliance.

*Alexander Thompson Arnold, PLLC*

Jackson, Tennessee  
May 30, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Aberdeen, Mississippi, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$18.28 million (net position). Of this amount, \$(1.07) million represents unrestricted net position.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$2.10 million. This was an increase of \$423 thousand, or 25.21%, from the prior year's fund balances. Of the ending fund balances, \$1.02 million was unassigned and available for current use by the City. There were also assigned balances totaling \$72 thousand and a nonspendable balance of \$24 thousand. The remaining balances had restrictions or commitments which are detailed on the face of the statements.
- The City's total debt obligations increased by \$1.09 million during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of the following components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.
4. This report also contains required supplementary information and supplementary and other information in addition to the basic financial statements themselves.

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

- The Statement of Net Position presents information on all of the City's assets, deferred outflows/inflows of resources and liabilities, with differences reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial assets of the City are improving or deteriorating.
- The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, compensated absences, etc.).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government; public safety; public works; and health, culture, welfare, and recreation. The business-type activities of the City are made up of the water and sewer department, electric department, and the urban development fund. The government-wide financial statements can be found on pages 10 to 13 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements and reconciliations can be found on pages 14 to 17 of this report.

The City maintains ten governmental funds. Information is presented separately in the Balance Sheet – Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for all funds which are considered to be major funds. The major governmental fund of the City is the general fund.

**Proprietary funds** - There are two different types of proprietary funds.

- *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the water and sewer department, electric department, and the urban development fund.
- *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City currently has no internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the funds which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 18 to 22 of this report.

### **Fiduciary funds**

Fiduciary funds provide information about the financial relationships in which the City acts solely as a trustee or agency 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 position and statement of activities. The fiduciary fund financial statements can be found on pages 23 to 24 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 to 48 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Statement of Net Position** - As noted earlier, net position may serve over time as a useful indicator of a government's financial assets. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18.28 million at the close of the most recent fiscal year. The largest portion of the City's net position (95.61%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and vehicles), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position amounted to \$1.88 million at the close of the fiscal year. Of the remaining balances, \$17.48 million is net investment in capital assets and (\$1.07) million represents unrestricted net position.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 4,819,825	\$ 4,507,181	\$ 11,107,519	\$ 10,645,787	\$ 15,927,344	\$ 15,152,968
Capital assets	5,503,263	5,806,811	16,087,677	14,947,519	21,590,940	20,754,330
Total assets	10,323,088	10,313,992	27,195,196	25,593,306	37,518,284	35,907,298
Deferred outflows of resources	112,026	287,961	205,955	368,764	317,981	656,725
Long-term liabilities	6,711,161	6,718,341	7,013,605	5,103,892	13,724,766	11,822,233
Other liabilities	265,752	758,675	3,179,361	3,851,300	3,445,113	4,609,975
Total liabilities	6,976,913	7,477,016	10,192,966	8,955,192	17,169,879	16,432,208
Deferred inflows of resources	2,331,813	2,218,335	52,590	17,005	2,384,403	2,235,340
Net position:						
Net investment in capital assets	4,301,956	4,376,439	11,541,099	11,605,405	15,843,055	15,981,844
Restricted	982,523	896,800	894,652	881,343	1,877,175	1,778,143
Unrestricted	(4,158,091)	(4,366,637)	4,719,844	4,503,125	561,753	136,488
Total net position	\$ 1,126,388	\$ 906,602	\$ 17,155,595	\$ 16,989,873	\$ 18,281,983	\$ 17,896,475

**Statement of Activities** - Expenses in the governmental activities exceeded revenues by \$4.59 million. In the business-type activities revenues exceeded expenses by \$1.13 million, which combined with general business-type revenues and transfers out resulted in a \$166 thousand change in net position. General government revenues of \$3.93 million, transfers from the utility fund of \$932 thousand, and a prior period adjustment of (\$55 thousand) helped increase \$220 thousand for the governmental activities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 853,844	\$ 857,582	\$ 17,618,592	\$ 17,807,528	\$ 18,472,436	\$ 18,665,110
Operating grants and contributions	1,993	11,689	25,047	9,350	27,040	21,039
Capital grants and contributions	149,387	343,143	-	-	149,387	343,143
General revenues:						
Property taxes	2,371,355	2,193,920	-	-	2,371,355	2,193,920
Intergovernmental	541,337	550,099	-	-	541,337	550,099
Sales tax	923,440	936,878	-	-	923,440	936,878
Other sources	95,607	55,485	-	-	95,607	55,485
Unrestricted interest	948	781	16,351	11,728	17,299	12,509
<b>Total revenues</b>	<b>\$ 4,937,911</b>	<b>\$ 4,949,577</b>	<b>\$ 17,659,990</b>	<b>\$ 17,828,606</b>	<b>\$ 22,597,901</b>	<b>\$ 22,778,183</b>
<b>Expenses:</b>						
General government	\$ 2,189,096	\$ 2,479,309	\$ -	\$ -	\$ 2,189,096	\$ 2,479,309
Public safety	1,676,113	1,618,877	-	-	1,676,113	1,618,877
Public works	1,274,114	1,263,805	-	-	1,274,114	1,263,805
Health, culture, welfare, and recreation	322,489	683,800	-	-	322,489	683,800
Economic development	89,649	83,885	-	-	89,649	83,885
Debt service	44,201	50,812	-	-	44,201	50,812
Urban development	-	-	14	40,993	14	40,993
Electric	-	-	14,553,207	14,197,273	14,553,207	14,197,273
Water and Sewer	-	-	1,965,314	1,871,780	1,965,314	1,871,780
<b>Total expenses</b>	<b>5,595,662</b>	<b>6,180,488</b>	<b>16,518,535</b>	<b>16,110,046</b>	<b>22,114,197</b>	<b>22,290,534</b>
Excess/(deficiency) of revenues over/under expenses	(657,751)	(1,230,911)	1,141,455	1,718,560	483,704	487,649
Transfers	932,444	1,125,737	(975,733)	(1,125,737)	(43,289)	-
<b>Increase in net position</b>	<b>274,693</b>	<b>(105,174)</b>	<b>165,722</b>	<b>592,823</b>	<b>440,415</b>	<b>487,649</b>
Net position - beginning	906,602	1,261,678	16,989,873	16,397,050	17,896,475	17,658,728
Prior period adjustment	(54,907)	(249,902)	-	-	(54,907)	(249,902)
<b>Net position - beginning - restated</b>	<b>851,695</b>	<b>1,011,776</b>	<b>16,989,873</b>	<b>16,397,050</b>	<b>17,841,568</b>	<b>17,408,826</b>
<b>Net position - ending</b>	<b>\$ 1,126,388</b>	<b>\$ 906,602</b>	<b>\$ 17,155,595</b>	<b>\$ 16,989,873</b>	<b>\$ 18,281,983</b>	<b>\$ 17,896,475</b>

### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

The general fund accounts for more than 91.81% of governmental fund revenues excluding debt proceeds and other financing sources. Accordingly, this discussion will focus on the general fund.

General fund balance was \$1.11 million at the end of the current fiscal year. At year end, unassigned fund balance has a balance of \$1.02 million, \$72 thousand is assigned and \$25 is nonspendable.

**Proprietary funds** - The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Net position of the proprietary funds was \$17.16 million. Of the balance, \$13.18 million is net investment in capital assets, \$895 thousand is

## MANAGEMENT'S DISCUSSION AND ANALYSIS

restricted for debt service and \$3.08 million is unrestricted. There was an overall increase in net position for proprietary funds of \$166 thousand during the current year.

**Budgetary highlights** - Actual revenues and other financing sources were under the final budgeted amounts by \$64 thousand in the general fund. Property tax revenue was over in the amount of \$126 thousand. Expenditures were \$380 thousand under budget in the general fund. General government expenses were under budget by \$227 thousand.

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets** - At the end of Fiscal Year 2018, the City had invested \$21.59 million net of accumulated depreciation in a variety of capital assets. As allowed by GASB Statement No. 34, the City was not required to report infrastructure (streets, sidewalks, bridges etc.) due to the City being a Phase 3 government; however, the City chose to do so. The City was only required to report infrastructure going forward as of July 1, 2003. Additional information on the City's capital assets can be found in Note 4.C. beginning on page 33 of this report.

**Long-term debt** - At the end of the current fiscal year, the City had total debt outstanding of \$5.74 million. Of this amount, \$3.66 million comprises debt backed by the full faith and credit of the City. The remainder, \$2.20 million, of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds). Additional information on the City's long-term debt can be found in Note 4.D. beginning on page 35 of this report.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The unemployment rate for Monroe County is currently 5.3% up from 4.6% in 2017. The state's average unemployment rate is currently 4.7% down from 5.2% in 2017. The national average unemployment rate is currently 4.0%. All of the rates are from labor statistics released in June 2018, respectively.

All of these factors were considered in preparing the City's budget for the 2019 fiscal year. There are currently capital projects planned and ongoing for fiscal year 2019.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Aberdeen, Mississippi's finances for citizens, taxpayers, customers, investors, creditors, and all others with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, City of Aberdeen, and 125 West Commerce Street, Aberdeen, Mississippi 39730.

**BASIC FINANCIAL STATEMENTS**

**CITY OF ABERDEEN, MISSISSIPPI**  
**STATEMENT OF NET POSITION**  
September 30, 2018

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash on hand	\$ 100	\$ -	\$ 100
Cash and cash equivalents	1,979,088	6,964,987	8,944,075
Receivables:			
Taxes (net of allowances)	2,303,598	-	2,303,598
Accounts - other (net of allowances)	89,977	1,880,834	1,970,811
Accounts - court fines (net of allowances)	109,744	-	109,744
TVA	123,947	-	123,947
Rent receivable	-	57,296	57,296
Other receivables	-	15,226	15,226
Interest	-	4,334	4,334
Internal Balances	188,895	(432,224)	(243,329)
Prepaid items	24,476	24,795	49,271
Inventories	-	589,316	589,316
Restricted assets:			
Cash and cash equivalents	-	910,429	910,429
Investments	-	786,553	786,553
Notes receivable	-	305,973	305,973
Capital assets not being depreciated:			
Land	331,364	184,795	516,159
Plant in service	-	15,216	15,216
Construction in progress	-	71,040	71,040
Capital assets net of accumulated depreciation:			
Electric plant	-	4,091,178	4,091,178
General plant	-	428,211	428,211
Water distribution system	-	8,315,741	8,315,741
Wastewater treatment	-	2,914,605	2,914,605
Buildings and improvements	1,261,641	-	1,261,641
Infrastructure	3,370,213	-	3,370,213
Other capital assets	540,045	66,891	606,936
<b>Total assets</b>	<b>10,323,088</b>	<b>27,195,196</b>	<b>37,518,284</b>
<b>Deferred outflows of resources</b>			
Loss on bond refunding	-	17,548	17,548
Related to pensions	112,026	188,407	300,433
<b>Total deferred outflows of resources</b>	<b>\$ 112,026</b>	<b>\$ 205,955</b>	<b>\$ 317,981</b>

*The accompanying notes are an integral part of the financial statements.*

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**CITY OF ABERDEEN, MISSISSIPPI**  
**STATEMENT OF NET POSITION**  
September 30, 2018

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
Accounts payable and other accrued expenses	\$ 171,839	\$ 2,404,220	\$ 2,576,059
Accrued payroll expenses	91,464	21,946	113,410
Accrued interest	2,449	15,777	18,226
Customer deposits	-	694,592	694,592
Advances from Home Insulation Program	-	42,826	42,826
Noncurrent liabilities:			
Net pension liability	5,457,184	2,324,319	7,781,503
Compensated absences	52,670	19,122	71,792
Other corporate liabilities	-	120,174	120,174
Premium on bonds payable	-	5,621	5,621
Due within one year	202,670	545,424	748,094
Due in more than one year	998,637	3,998,945	4,997,582
<b>Total liabilities</b>	<b>6,976,913</b>	<b>10,192,966</b>	<b>17,169,879</b>
<b>Deferred inflows of resources</b>			
Related to pensions	134,500	52,590	187,090
Property taxes - deferred	2,197,313	-	2,197,313
<b>Total deferred inflows of resources</b>	<b>2,331,813</b>	<b>52,590</b>	<b>2,384,403</b>
<b>Net position</b>			
Net investment in capital assets	4,301,956	11,541,099	15,843,055
Restricted for:			
Debt service	18,561	894,652	913,213
Municipal fire	317,642	-	317,642
Tourism	34,393	-	34,393
Capital projects	60,723	-	60,723
Industrial purposes	153,774	-	153,774
Port maintenance	397,430	-	397,430
Unrestricted	(4,158,091)	4,719,844	561,753
<b>Total net position</b>	<b>\$ 1,126,388</b>	<b>\$ 17,155,595</b>	<b>\$ 18,281,983</b>

The accompanying notes are an integral part of the financial statements.

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**CITY OF ABERDEEN, MISSISSIPPI**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2018

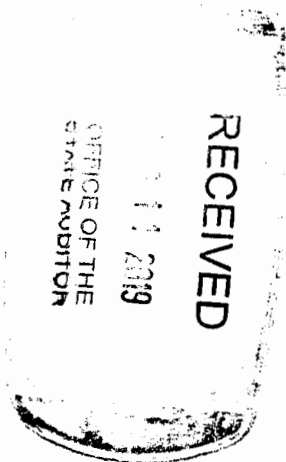
Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental activities:</b>							
General government	\$ 2,189,096	\$ 96,101	\$ -	\$ -	\$ (2,092,995)	\$ -	\$ (2,092,995)
Public safety	1,676,113	142,493	1,993	-	(1,531,627)	-	(1,531,627)
Public works	1,274,114	517,444	-	-	(756,670)	-	(756,670)
Health, culture, welfare, and recreation	322,489	96,887	-	32,587	(193,015)	-	(193,015)
Economic development	89,649	919	-	116,800	28,070	-	28,070
Interest on long-term debt	44,201	-	-	-	(44,201)	-	(44,201)
Total governmental activities	<u>5,595,662</u>	<u>853,844</u>	<u>1,993</u>	<u>149,387</u>	<u>(4,590,438)</u>	<u>-</u>	<u>(4,590,438)</u>
<b>Business-type activities:</b>							
Urban development	14	32,573	-	-	-	32,559	32,559
Electric	14,553,207	15,054,143	-	-	-	500,936	500,936
Water and sewer	1,965,314	2,531,876	25,047	-	-	591,609	591,609
Total business-type activities	<u>16,518,535</u>	<u>17,618,592</u>	<u>25,047</u>	<u>-</u>	<u>-</u>	<u>1,125,104</u>	<u>1,125,104</u>
<b>Total primary government</b>	<u>\$ 22,114,197</u>	<u>\$ 18,472,436</u>	<u>\$ 27,040</u>	<u>\$ 149,387</u>	<u>\$ (4,590,438)</u>	<u>\$ 1,125,104</u>	<u>\$ (3,465,334)</u>

*The accompanying notes are an integral part of the financial statements.*

**CITY OF ABERDEEN, MISSISSIPPI**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>General revenues:</b>							
	Property taxes - levied for general government including penalties				\$ 2,371,355	\$ -	\$ 2,371,355
	Intergovernmental				541,337	-	541,337
	Sales tax				923,440	-	923,440
	Other sources				95,607	-	95,607
	Unrestricted interest income				948	16,351	17,299
	<b>Total general revenues</b>				<u>3,932,687</u>	<u>16,351</u>	<u>3,949,038</u>
<b>Transfers</b>							
	In lieu of taxes in (out)				<u>932,444</u>	<u>(975,733)</u>	<u>(43,289)</u>
	<b>Total transfers</b>				<u>932,444</u>	<u>(975,733)</u>	<u>(43,289)</u>
	<b>Total general revenues and transfers</b>				<u>4,865,131</u>	<u>(959,382)</u>	<u>3,905,749</u>
	<b>Changes in net position</b>				<b>274,693</b>	<b>165,722</b>	<b>440,415</b>
	Net position - beginning				906,602	16,989,873	17,896,475
	Prior period adjustment				<u>(54,907)</u>	<u>-</u>	<u>(54,907)</u>
	Net position - beginning - restated				<u>851,695</u>	<u>16,989,873</u>	<u>17,841,568</u>
	Net position - ending				\$ 1,126,388	\$ 17,155,595	\$ 18,281,983

The accompanying notes are an integral part of the financial statements.



**CITY OF ABERDEEN, MISSISSIPPI**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2018

	Common City/General Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash on hand	\$ 100	\$ -	\$ 100
Cash and cash equivalents	1,092,286	886,802	1,979,088
Receivables:			
Taxes (net of allowance for uncollectibles \$40,382)	2,159,578	144,020	2,303,598
Accounts	77,275	12,702	89,977
TVA	123,947	-	123,947
Court fines (net of allowance for uncollectibles \$987,701)	109,744	-	109,744
Prepaid items	24,476	-	24,476
Due from other funds	300,627	126,287	426,914
<b>Total assets</b>	<b>\$ 3,888,033</b>	<b>\$ 1,169,811</b>	<b>\$ 5,057,844</b>
<b>Liabilities</b>			
Accounts payable and other accrued expenses	\$ 163,250	\$ 8,589	\$ 171,839
Accrued payroll expenses	91,464	-	91,464
Due to other funds	210,287	27,732	238,019
<b>Total liabilities</b>	<b>465,001</b>	<b>36,321</b>	<b>501,322</b>
<b>Deferred inflows of resources</b>			
TVA revenue - unavailable	123,947	-	123,947
Court fines - unavailable	109,745	-	109,745
Property taxes - unavailable	2,077,494	144,020	2,221,514
<b>Total deferred inflows of resources</b>	<b>2,311,186</b>	<b>144,020</b>	<b>2,455,206</b>
<b>Fund balances:</b>			
Nonspendable	24,476	-	24,476
Restricted for:			
Municipal fire	-	317,642	317,642
Tourism	-	34,393	34,393
Debt service	-	18,561	18,561
Capital projects	-	60,723	60,723
Industrial purposes	-	153,774	153,774
Port maintenance	-	397,430	397,430
Assigned for:			
Industrial purposes	61,315	-	61,315
Common city	1	-	1
Street paving	10,641	-	10,641
Unassigned	1,015,413	6,947	1,022,360
<b>Total fund balances</b>	<b>1,111,846</b>	<b>989,470</b>	<b>2,101,316</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 3,888,033</b>	<b>\$ 1,169,811</b>	<b>\$ 5,057,844</b>

*The accompanying notes are an integral part of the financial statements.*

**CITY OF ABERDEEN, MISSISSIPPI**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
September 30, 2018

Amounts reported for the governmental activities in the statement of net position (Page 11) are different because:

<b>Fund balance - total governmental funds (Page 14)</b>	<b>\$ 2,101,316</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds	5,503,263
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds Property taxes, court fines, and TVA	257,893
Net pension liability is not due in the current period and, therefore, is not reported in the funds.	(5,457,184)
Deferred outflows of resources - pensions are not available to pay current expenditures and, therefore, are unavailable in the funds.	112,026
Deferred inflows of resources - pensions are not due in the current period and, therefore, are unavailable in the funds.	(134,500)
Payables, such as accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds	(2,449)
Long-term liabilities, including notes, bonds and leases payable, and compensated absences are not due in the current period and, therefore, are not reported in the funds	<u>(1,253,977)</u>
<b>Net position of governmental activities (Page 11)</b>	<b><u>\$ 1,126,388</u></b>

The accompanying notes are an integral part of the financial statements. 9/11/2018

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**CITY OF ABERDEEN, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

For the Fiscal Year Ended September 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Property taxes	\$ 2,219,634	\$ 170,108	\$ 2,389,742
Intergovernmental	1,266,018	106,475	1,372,493
Charges for services	511,804	-	511,804
Licenses and permits	7,867	-	7,867
Rents	29,560	50,011	79,571
Fines	105,559	33,446	139,005
Grant proceeds	116,800	32,587	149,387
Interest	512	436	948
Other	161,116	935	162,051
Total revenues	<u>4,418,870</u>	<u>393,998</u>	<u>4,812,868</u>
<b>Expenditures:</b>			
Current:			
General government	1,672,105	-	1,672,105
Public safety	1,705,976	(1,357)	1,704,619
Public works	1,311,904	1,940	1,313,844
Health, culture, and recreation	298,632	24,097	322,729
Economic development	-	89,649	89,649
Debt service:			
Principal	75,850	114,721	190,571
Interest	6,359	40,453	46,812
Total expenditures	<u>5,070,826</u>	<u>269,503</u>	<u>5,340,329</u>
Excess (deficiency) of revenues over expenditures	<u>(651,956)</u>	<u>124,495</u>	<u>(527,461)</u>
<b>Other financing sources (uses):</b>			
Transfer-in lieu of tax payments	932,444	-	932,444
Transfers in (out)	18,116	-	18,116
Total other financing sources (uses)	<u>950,560</u>	<u>-</u>	<u>950,560</u>
<b>Net changes in fund balance</b>	<b>298,604</b>	<b>124,495</b>	<b>423,099</b>
Fund balance - beginning	832,149	900,975	1,733,124
Prior period adjustment	(18,907)	(36,000)	(54,907)
Fund balance - beginning - restated	813,242	864,975	1,678,217
Fund balance - ending	<u>\$ 1,111,846</u>	<u>\$ 989,470</u>	<u>\$ 2,101,316</u>

*The accompanying notes are an integral part of the financial statements.*

**CITY OF ABERDEEN, MISSISSIPPI**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended September 30, 2018

**Amounts reported for the governmental activities in the statement of activities (Page 12 to 13)  
are different because:**

<b>Net change in fund balance - total governmental funds (Page 16)</b>	<b>\$ 423,099</b>
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period. This is the amount by which capital outlays exceeded depreciation in the current period.	(303,548)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
T.V.A. in lieu	123,947
Police fines	1,366
Personal property ad valorem	<u>(18,387)</u>
Total	106,926
Some expenses reported in the statement of activities, such as accrued leave, postclosure care, and accrued interest, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	6,110
The payment of pension contributions consumes current financial resources in the governmental funds. These transactions do not have any effect on the net position, but are considered deferred outflow of resources.	84,882
The actuarially determined pension expense does not consume current financial resources and, therefore, is not reported in the governmental funds. It is reported as expense in the statement of activities.	(271,841)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have any effect on net position.	<u>229,065</u>
<b>Change in net position of governmental activities (Page 13)</b>	<b><u>\$ 274,693</u></b>

*The accompanying notes are an integral part of the financial statements.*

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**CITY OF ABERDEEN, MISSISSIPPI**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
September 30, 2018

<b>Assets</b>	<b>Urban Development</b>	<b>Electric</b>	<b>Water and Sewer</b>	<b>Total</b>
<b>Current assets:</b>				
Cash and cash equivalents	\$ 144,596	\$ 4,756,994	\$ 2,063,397	\$ 6,964,987
Accounts receivable (net of allowance for uncollectable of \$0, \$88,715, and \$11,108)	-	1,655,093	225,741	1,880,834
Rent receivable	-	57,296	-	57,296
Other receivables	-	15,226	-	15,226
Interest receivable	-	-	4,334	4,334
Due from other funds	27,732	110,667	-	138,399
Prepaid items	-	12,153	12,642	24,795
Inventories	-	338,237	251,079	589,316
Total current assets	<u>172,328</u>	<u>6,945,666</u>	<u>2,557,193</u>	<u>9,675,187</u>
<b>Noncurrent assets:</b>				
<b>Restricted assets:</b>				
Cash and cash equivalents	-	568,915	341,514	910,429
Investments	-	-	786,553	786,553
<b>Other assets:</b>				
Notes receivable, net of allowance - noncurrent	<u>188,301</u>	<u>41,571</u>	<u>76,101</u>	<u>305,973</u>
Total noncurrent assets	<u>188,301</u>	<u>610,486</u>	<u>1,204,168</u>	<u>2,002,955</u>
<b>Capital assets:</b>				
Capital assets, not being depreciated:				
Land	-	57,948	126,847	184,795
Distribution plant	-	15,216	-	15,216
Construction in progress	-	71,040	-	71,040
Capital assets, being depreciated:				
Electric plant	-	4,091,178	-	4,091,178
General plant	-	428,211	-	428,211
Water distribution system	-	-	8,315,741	8,315,741
Wastewater treatment	-	-	2,914,605	2,914,605
Machinery and equipment	-	-	66,891	66,891
Total capital assets	<u>-</u>	<u>4,663,593</u>	<u>11,424,084</u>	<u>16,087,677</u>
<b>Total assets</b>	<b>\$ 360,629</b>	<b>\$ 12,219,745</b>	<b>\$ 15,185,445</b>	<b>\$ 27,765,819</b>
<b>Deferred outflows of resources</b>				
Loss on bond refunding	-	-	17,548	17,548
Related to pensions	-	174,379	14,028	188,407
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 174,379</u>	<u>\$ 31,576</u>	<u>\$ 205,955</u>

NOTE - Amounts for the Electric Fund are at June 30, 2018.

*The accompanying notes are an integral part of the financial statements.*



**CITY OF ABERDEEN, MISSISSIPPI**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
September 30, 2018

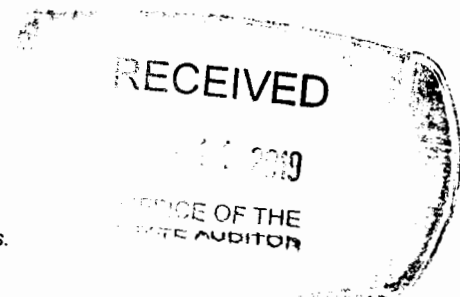
Liabilities, deferred inflows, and net position	Urban Development	Electric	Water and Sewer	Total
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable and other accrued expenses	\$ -	\$ 2,358,668	\$ 45,552	\$ 2,404,220
Accrued payroll expenses	-	13,716	8,230	21,946
Compensated absences	-	3,412	-	3,412
Due to other funds	-	231,854	338,769	570,623
Total current liabilities	-	2,607,650	392,551	3,000,201
<b>Current liabilities payable from restricted assets:</b>				
Accrued interest payable	-	2,127	13,650	15,777
Current maturities of lease payable	-	81,511	70,532	152,043
Customer deposits	-	582,512	112,080	694,592
Current maturities of long-term debt	-	70,329	319,640	389,969
Total current liabilities payable from restricted assets	-	736,479	515,902	1,252,381
<b>Noncurrent liabilities:</b>				
Advances from Home Insulation Program	-	42,826	-	42,826
Premium on bonds payable	-	-	5,621	5,621
Other corporate liabilities	-	-	120,174	120,174
Notes payable	-	-	59,676	59,676
Lease payable	-	874,161	724,929	1,599,090
Bonds payable	-	225,088	2,115,091	2,340,179
Net pension liability	-	1,673,604	650,715	2,324,319
Compensated absences payable	-	10,237	8,885	19,122
Total noncurrent liabilities	-	2,825,916	3,685,091	6,511,007
<b>Total liabilities</b>	-	6,170,045	4,593,544	10,763,589
<b>Deferred inflows of resources</b>				
Related to pensions	-	36,552	16,038	52,590
Total deferred inflows of resources	-	36,552	16,038	52,590
<b>Net position:</b>				
Net investment in capital assets	-	3,412,504	8,128,595	11,541,099
Restricted for debt service	-	566,788	327,864	894,652
Unrestricted	360,629	2,208,235	2,150,980	4,719,844
Total net position	360,629	6,187,527	10,607,439	17,155,595
<b>Total liabilities, deferred inflows of resources, and net position</b>	\$ 360,629	\$ 12,394,124	\$ 15,217,021	\$ 27,971,774

The accompanying notes are an integral part of the financial statements.

**CITY OF ABERDEEN, MISSISSIPPI**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
For the Fiscal Year Ended September 30, 2018

	Urban Development	Electric	Water and Sewer	Total
<b>Operating revenues</b>				
Charges for sales and services	\$ -	\$ 14,769,004	\$ 2,485,103	\$ 17,254,107
Other operating revenues	32,573	285,139	46,773	364,485
Total operating revenues	32,573	15,054,143	2,531,876	17,618,592
<b>Operating expenses</b>				
Cost of sales and services	-	12,373,974	-	12,373,974
Operations	14	826,246	545,731	1,371,991
General and administrative expense	-	762,843	-	762,843
Maintenance	-	286,014	681,064	967,078
Depreciation	-	285,134	663,938	949,072
Total operating expenses	14	14,534,211	1,890,733	16,424,958
<b>Operating income (loss)</b>	32,559	519,932	641,143	1,193,634
<b>Nonoperating income (expense)</b>				
Interest earned	-	3,743	12,608	16,351
Loss on disposal of assets	-	268	(1,121)	(853)
Interest expense	-	(8,026)	(73,460)	(81,486)
Donations	-	(11,238)	-	(11,238)
Total nonoperating income (expense)	-	(15,253)	(61,973)	(77,226)
Change in net position before transfers and capital contributions	32,559	504,679	579,170	1,116,408
<b>Transfers and capital contributions</b>				
In lieu of tax transfer	-	(665,744)	(309,989)	(975,733)
Tap fees	-	-	25,047	25,047
Total transfers and capital contributions	-	(665,744)	(284,942)	(950,686)
<b>Change in net position</b>	32,559	(161,065)	294,228	165,722
Total net position - beginning	328,070	6,348,592	10,313,211	16,989,873
Total net position - ending	\$ 360,629	\$ 6,187,527	\$ 10,607,439	\$ 17,155,595

The accompanying notes are an integral part of the financial statements.



**CITY OF ABERDEEN, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For The Fiscal Year Ended September 30, 2018

	Urban Development	Electric	Water and Sewer	Total
<b>Cash flows from operating activities:</b>				
Cash received from consumers and other funds	\$ 32,573	\$ 15,033,397	\$ 2,556,781	\$ 17,622,751
Cash paid to suppliers of goods & services	(14)	(12,868,165)	(926,501)	(13,794,680)
Cash paid to employees for services and benefits	-	(892,075)	(314,527)	(1,206,602)
Customer deposits received and refunded	-	34,990	6,102	41,092
Due to/from other funds	-	-	53,230	53,230
In lieu of tax transfers	-	(665,744)	(309,989)	(975,733)
Net cash provided (used) by operating activities	<u>32,559</u>	<u>642,403</u>	<u>1,065,096</u>	<u>1,740,058</u>
<b>Cash flows from non-capital and related financing activities:</b>				
Advances from TVA	-	(16,045)	-	(16,045)
Net cash provided (used) by non-capital and related financing activities	<u>-</u>	<u>(16,045)</u>	<u>-</u>	<u>(16,045)</u>
<b>Cash flows from capital and related financing activities:</b>				
Principal paid on long-term debt	-	(67,985)	(484,305)	(552,290)
Issuance of long-term debt	-	955,672	892,500	1,848,172
Interest and administrative expenses paid on long-term debt	-	(9,189)	(74,313)	(83,502)
Construction and purchase of capital assets	-	(1,104,840)	(1,051,441)	(2,156,281)
Plant removal cost	-	(36,649)	(1,121)	(37,770)
Materials salvaged from retirements	-	6,661	-	6,661
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(256,330)</u>	<u>(718,680)</u>	<u>(975,010)</u>
<b>Cash flows from investing activities:</b>				
Repayment of note receivable	59,465	23,305	-	82,770
Maturity of long-term certificates of deposit	-	-	778,650	778,650
Purchase of long-term certificates of deposit	-	-	(786,553)	(786,553)
Interest income payments received	-	3,743	8,921	12,664
Net cash provided (used) by investing activities	<u>59,465</u>	<u>27,048</u>	<u>1,018</u>	<u>87,531</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>92,024</u>	<u>397,076</u>	<u>347,434</u>	<u>836,534</u>
Cash and cash equivalents - beginning	<u>52,572</u>	<u>4,928,833</u>	<u>1,937,303</u>	<u>6,918,708</u>
Cash and cash equivalents - ending	<u>\$ 144,596</u>	<u>\$ 5,325,909</u>	<u>\$ 2,284,737</u>	<u>\$ 7,755,242</u>
<b>Cash and cash equivalents</b>				
Unrestricted cash on hand	\$ -	\$ 500	\$ -	\$ 500
Unrestricted cash and cash equivalents on deposit	144,596	4,756,494	2,063,397	6,964,487
Restricted cash and cash equivalents on deposit	-	568,915	341,514	910,429
<b>Total cash and cash equivalents</b>	<u>144,596</u>	<u>5,325,909</u>	<u>2,404,911</u>	<u>7,875,416</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF ABERDEEN, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For The Fiscal Year Ended September 30, 2018

	Urban Development	Electric	Water and Sewer	Total
<b>Reconciliation of operating income (loss) to net cash provided (used)</b>				
<b>by operating activities</b>				
Operating income (loss)	\$ 32,559	\$ 519,932	\$ 641,143	\$ 1,193,634
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	285,134	663,938	949,072
Change in pension related balances	-	331,701	77,825	409,526
Other receipts (payments)	-	(10,970)	25,047	14,077
In lieu of tax transfers	-	(665,744)	(309,989)	(975,733)
Loss on bond refunding	-	-	1,120	1,120
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	-	(49,862)	(142)	(50,004)
(Increase) decrease in materials and supplies	-	(59,935)	(71,806)	(131,741)
(Increase) decrease in prepayments and other current assets	-	(3,598)	(2,355)	(5,953)
(Increase) decrease in due from other funds	-	40,086	785	40,871
Increase (decrease) in accounts payable and accrued expenses	-	228,510	(19,017)	209,493
Increase (decrease) in customer deposits	-	34,990	6,102	41,092
Increase (decrease) in due to other funds	-	(7,841)	52,445	44,604
Net cash provided (used) by operating activities	\$ 32,559	\$ 642,403	\$ 1,065,096	\$ 1,740,058

The accompanying notes are an integral part of the financial statements.

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**CITY OF ABERDEEN, MISSISSIPPI**  
**STATEMENT OF FIDUCIARY NET POSITION**  
September 30, 2018

**Assets**

Cash and cash equivalents	\$ 131,349
<b>Total assets</b>	<b><u>\$ 131,349</u></b>

**Liabilities:**

Due to other funds - clearing	\$ 131,349
<b>Total liabilities</b>	<b><u>\$ 131,349</u></b>

*The accompanying notes are an integral part of the financial statements.*

**CITY OF ABERDEEN, MISSISSIPPI**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
September 30, 2018

**Revenues**

Tax redemption receipts	\$ 216,402
Other revenues	181
Interest earnings	<u>127</u>
Total revenues	<u>216,710</u>

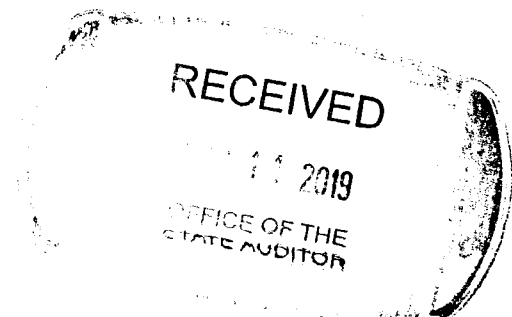
**Expenditures**

Tax redemption reimbursements	215,950
Other operating expenses	<u>760</u>
Total expenditures	<u>216,710</u>

**Change in net position** -

**Net position - beginning** -

**Net position - ending** \$ -



*The accompanying notes are an integral part of the financial statements.*

**CITY OF ABERDEEN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Aberdeen, Mississippi (the City) operates under a Mayor-Alderman form of government and provides the following services as authorized by its charter: public safety (police and fire), public works (street and waste collection), health, culture, welfare and recreation, water and sewerage, electric services, urban redevelopment and housing and general administrative services. As required by generally accepted accounting principles, these financial statements present all funds, which comprise the City.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statements of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function, or segment, 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 customers or applicants who purchase, 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund 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 government considers revenues to be available if they are

**CITY OF ABERDEEN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2018

collected within sixty 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 and claims and judgments, are recorded only when payment is due.

Property taxes, gross receipt taxes, sales taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental fund:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The urban redevelopment fund provides low interest loans to residents and business entities to be used to redevelop property.

The electric fund accounts for the activities associated with the electric system and the distribution of power.

The water and sewer fund accounts for the activities associated with the water distribution system and for the activities associated with the sewage treatment plant, sewage pumping stations, and collection system.

The City also reports a fiduciary fund which accounts 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 and do not involve measurement of results for operations. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utility divisions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.



**CITY OF ABERDEEN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2018

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund is charges for sales and service to customers. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. 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, then unrestricted resources as they are needed.

**D. Assets, Liabilities, and Net Assets or Equity**

***Deposits and Investments***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit and other time deposits with a term of less than three months.

State statutes authorize the City to invest in (1) direct obligations of the United States government to the payment of which the full faith and credit of the United States government is pledged, (2) certificates of deposit when insured or secured by acceptable collateral and (3) obligations of the State of Mississippi or any county, municipality or school district of the State of Mississippi which have been approved by a reputable bond attorney or have been validated by the decree of chancery court.

Investments for the City are reported at fair value, which for certificates of deposit approximates cost. As of September 30, 2018, the City had certificates of deposit greater than three months in the amount of \$786,553.

***Receivables and Payables***

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Court fines receivable are shown net of an allowance for uncollectible accounts. The allowance is recorded based on management's estimate of what portion of the outstanding receivable will be collected in the future.

The allowances for uncollectible customer accounts recorded in the proprietary funds are based on past history of uncollectible accounts and management's analysis of current accounts. Bad debts in the proprietary funds are recorded by the direct write-off method.

Property taxes are levied annually on January 1. The taxes are due and payable from the following October through February in the year succeeding the tax levy. An unperfected lien attaches by statute to property on March 1 for unpaid taxes from the prior year's levy. Taxes uncollected by August 1 of that year are sold at a tax sale.

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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**CITY OF ABERDEEN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2018

***Restricted Assets***

Each customer deposits funds with the City when an electric or water account is opened. These funds are restricted due to the deposits and are held by the City until the customer account is closed, at which time the amounts are refundable to the customer. Also certain debt issues require contingency deposits be maintained separately for future debt payments.

***Capital Assets***

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as all land and infrastructure and assets with an initial, individual cost of more than \$50,000 for buildings and \$5,000 for equipment, and an estimated useful life in excess of three years.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the City are depreciated using the straight-line method over the following useful lives:

Buildings	5 - 40 years	Infrastructure	20 years
Vehicles	5 - 10 years	Electric plant	16.5 - 50 years
Machinery and equipment	5 - 15 years	General plant	5 - 50 years
Furniture and fixtures	5 - 20 years	Treatment plant	12.5 - 50 years
		Transmission plant	3 - 10 years

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The items that qualify for reporting as deferred outflows of resources are disclosed on pages 10 and 18.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The items that qualify for reporting as deferred inflows of resources are disclosed on pages 11, 14 and 19.

The City reports unavailable property taxes, TVA revenue, and court fines as deferred inflows of resources in the governmental fund balance sheet. In the statement of net position, unavailable property taxes related to the subsequent tax year, pension changes in investment earnings, pension differences in actuarial experience, and pension changes of assumptions.

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**NOTES TO FINANCIAL STATEMENTS**  
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***Compensated Absences***

All funds, other than the proprietary funds, record as expenditures the vacation accrued during the year that would normally be liquidated with expendable available financial resources. The governmental funds' employees accumulate vacation days, and, in the event of termination, employees are reimbursed for accumulated vacation up to a maximum of 30 days. The current portion of the accrued vacation at September 30, 2018 recorded in the governmental funds is the amount that would normally be liquidated with expendable available financial resources. In the government-wide statements, governmental funds accrue a liability for vacation in the period it is earned by the employees.

The proprietary funds accrue a liability for vacation in the period it is earned by the employees. The employees are allowed to accumulate vacation to a maximum of 30 days and are reimbursed for such accumulation in the event of termination.

***Long-term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Fund Equity***

As prescribed by GASB Statement No.54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following.

***Nonspendable fund balance***

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes terms that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

***Restricted fund balance***

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

***Committed fund balance***

This classification includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority, the Board of Alderman of the City of Aberdeen, Mississippi. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally such as an ordinance.

**CITY OF ABERDEEN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2018

**Assigned fund balance**

This classification includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. The Board and its designee, the Recorder, have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

**Unassigned fund balance**

This fund balance is the residual classification for the General fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

**Net position flow assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position**

The reconciliation of the balance sheet of governmental funds to the statement of net position includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including notes and bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$1,253,977 are as follows:

Bonds payable	735,000
Capital leases payable	301,390
Accrued leave	52,670
Notes payable	<u>164,917</u>
Long term liabilities, including notes and bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>\$ 1,253,977</u>

Another element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$5,503,263 are as follows:

**CITY OF ABERDEEN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2018

Land	\$ 331,364
Buildings and improvements	1,261,641
Infrastructure	3,370,213
Other capital assets	<u>540,045</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 5,503,263</u>

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities**

The reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period." The details of this (\$303,548) difference are as follows:

Capital outlay	\$ 26,675
Depreciation expense	<u>(330,223)</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (303,548)</u>

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on an annual basis. These include the general fund and the special revenue funds. The Mayor and Board of Alderman (Board) approves and appropriates the budgets for these funds annually. All annual appropriations lapse at fiscal year end.

The City's policy is to not allow expenditures to exceed budgetary amounts at the total fund expenditure level without obtaining additional appropriation approval from the Board. This policy reflects the legal level of control at which expenditures may not exceed appropriations. In the current year, the General fund's expenditures do not exceed their budgeted expenditures.

As an extension of the budgetary process, the Board may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. These amendments are made in the form of legally adopted Board approvals.

**NOTE 4 - DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

***Custodial Credit Risk***

The City's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. 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 Annotated (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State

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Treasurer. Financial institutions holding deposits of public fund must pledge securities as collateral against those deposits equal to at least 105% 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).

**B. Receivables**

Receivables as of the year-end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Electric Fund	Water and Sewer Fund	Nonmajor and Other Funds	Total
Receivables:					
Property taxes	\$ 2,199,960	\$ -	\$ -	\$ 144,020	\$ 2,343,980
Accounts	77,275	1,743,808	236,849	12,702	2,070,634
Court fines	1,097,445	-	-	-	1,097,445
Rents	-	57,296	-	-	57,296
Other	-	15,226	-	-	15,226
TVA	123,947	-	-	-	123,947
Interest	-	-	4,334	-	4,334
Gross receivables	3,498,627	1,816,330	241,183	156,722	5,712,862
Less: Allowance for uncollectibles	(1,028,083)	(88,715)	(11,108)	-	(1,127,906)
Net total receivables	\$ 2,470,544	\$ 1,727,615	\$ 230,075	\$ 156,722	\$ 4,584,956

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the City had \$110 thousand in unavailable revenue related to court fines receivable and \$2.22 million in unavailable revenue related to property taxes receivable, and \$124 thousand related to unavailable property tax revenue.

**CITY OF ABERDEEN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2018

**C. Capital Assets**

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

	Beginning Balance	Additions	Disposals	Reclassifications	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 331,364	\$ -	\$ -	\$ -	\$ 331,364
Total capital assets, not being depreciated	331,364	-	-	-	331,364
Capital assets being depreciated:					
Buildings and improvements	1,676,501	-	-	-	1,676,501
Infrastructure	8,437,443	-	-	-	8,437,443
Other capital assets	2,052,470	26,675	-	-	2,079,145
Total capital assets being depreciated	12,166,414	26,675	-	-	12,193,089
Less accumulated depreciation for:					
Buildings and improvements	359,038	55,822	-	-	414,860
Infrastructure	4,915,763	151,467	-	-	5,067,230
Other capital assets	1,416,166	122,934	-	-	1,539,100
Total accumulated depreciation	6,690,967	330,223	-	-	7,021,190
Total capital assets being depreciated, net	5,475,447	(303,548)	-	-	5,171,899
Governmental activities capital assets, net	\$ 5,806,811	\$ (303,548)	\$ -	\$ -	\$ 5,503,263
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 184,795	\$ -	\$ -	\$ -	\$ 184,795
Distribution plant	15,216	-	-	-	15,216
Construction in progress	93,651	66,804	(89,415)	-	71,040
Total capital assets, not being depreciated	293,662	66,804	(89,415)	-	271,051
Capital assets being depreciated:					
Electric distribution plant	8,760,012	1,098,418	(22,448)	1,090	9,837,072
General plant	1,951,618	97,667	-	-	2,049,285
Water distribution system	15,223,359	991,070	-	(3)	16,214,426
Wastewater treatment	5,125,500	20,209	-	-	5,145,709
Buildings and improvements	198,753	-	-	-	198,753
Machinery and equipment	1,274,620	26,424	-	2	1,301,046
Total capital assets being depreciated	32,533,862	2,233,788	(22,448)	1,089	34,746,291
Less accumulated depreciation for:					
Electric distribution plant	5,508,844	262,913	(52,435)	26,572	5,745,894
General plant	1,472,403	148,671	-	-	1,621,074
Water distribution system	7,521,815	376,870	-	-	7,898,685
Wastewater treatment	2,102,518	128,586	-	-	2,231,104
Buildings and improvements	198,753	-	-	-	198,753
Machinery and equipment	1,075,673	158,482	-	-	1,234,155
Total accumulated depreciation	17,880,006	1,075,522	(52,435)	26,572	18,929,665
Total capital assets being depreciated, net	14,653,856	1,158,266	29,987	(25,483)	15,816,626
Business-type activities capital assets, net	14,947,518	1,225,070	(59,428)	(25,483)	16,087,677
Total capital assets, net	\$ 20,754,329	\$ 921,522	\$ (59,428)	\$ (25,483)	\$ 21,590,940

**CITY OF ABERDEEN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
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Depreciation expense was charged to functions/programs of the primary government as follows:

Depreciation Note	
Governmental activities:	
General government	\$ 14,040
Public safety	22,249
Public works	290,141
Health, culture, recreation, and welfare	3,793
Total depreciation expense - governmental activities	<u>330,223</u>
Business-type activities:	
Electric	285,134
Water and sewer	663,938
Total depreciation expense - business-type activities	<u>949,072</u>
Total depreciation	<u>\$ 1,279,295</u>

For the Electric Department, depreciation expense amounted to \$285,134 with an additional \$126,450 charged to transportation expenses for the fiscal year ended June 30, 2018.

**D. Long-term Debt**

General long-term debt at September 30, 2018 is summarized as follows:

General obligation bonds:

General Obligation Street Bonds, Series 2009 due in annual installments of \$136,519 to \$141,056, including interest ranging from 4.00% - 4.875% due semi annually through September 2024	\$ 735,000
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Notes payable:

Capital Revolving Loan Program due in monthly installments of \$16,574 including interest at 3.00% through June 2020.	164,917
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Capital lease payable:

Police Cars, interest at 2.50% due annually maturing in September 2021	46,048
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Sanitation vehicle, interest at 2.14% due annually maturing in July 2021	9,817
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Garbage Truck, interest at 2.29% due annually maturing in July 2022	145,416
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Knuckleboom vehicle, interest at 2.69% due annually maturing in September 2022	<u>100,109</u>
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Total long-term debt - governmental activities	<u>1,201,307</u>
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**CITY OF ABERDEEN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
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Proprietary fund long-term debt at September 30, 2018 is summarized as follows:

Notes payable:

Capital improvement loan through MS Dept of Economic Development, dated 10/6/98 due in monthly installments of \$2,992 including interest at 3.00% through June 2020.	75,975
Capital improvement loan through MS Development Authority, dated 3/24/14 due in annual installments of \$7,727 including interest at 3.00% through January 2035.	99,679
Capital improvement loan through MS Dept of Economic Development, dated 10/25/99 due in monthly installments of \$5,528 including interest at 3.00% through November 2019.	61,145
Capital equipment loan through BancorpSouth, dated 6/29/17 due in monthly installments of \$2,903 including interest at 2.34% through June 2021.	92,696

Bonds payable:

Water and Sewer System Revenue Bonds, Series 2015 due in annual installments of \$129,558 to \$299,794, including interest at 2.0% to 3.25% due through March 2033	1,910,000
General Obligation Bonds, Series 2011 due in annual installments of \$85,603 to \$90,725, including interest at 2%-3% due through September 2021	254,912

In April of 2017, the City of Aberdeen, Mississippi Water Department obtained a lease payable in the amount of \$892,500, for the purpose of financing the purchase of AMI system for the Department. The note bears an interest rate of 7.16% and will be paid in variable amounts, with the final payment due March 2027.	<u>795,461</u>
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Total long-term debt - water and sewer activities	<u>3,289,868</u>
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Electric fund long-term debt at June 30, 2018 is summarized as follows:

Bonds payable:

Electric Plant Revenue Bonds, Series 2011 due in semi-annual installments at an interest rate at 2.20%-3.00% due through 2022	295,417
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In April of 2017, the City of Aberdeen, Mississippi Electric Department obtained a lease payable in the amount of \$1,050,000, for the purpose of financing the purchase of AMI system for the Department. The note bears an interest rate of 7.16% and will be paid in variable amounts, with the final payment due March 2027.	<u>955,672</u>
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Total long-term debt - electric activities	<u>1,251,089</u>
--	------------------

Total long-term debt - proprietary fund activities	<u>4,540,957</u>
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Total long-term debt	5,742,264
Other corporate liabilities	120,174
Accrued annual leave - governmental funds	52,670
Accrued annual leave - proprietary funds	<u>22,534</u>
Total noncurrent liabilities	<u>\$ 5,937,642</u>

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The following is a summary of long-term debt activity for the year ended September 30, 2018:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Capital leases	\$ 382,473	\$ -	\$ 81,083	\$ 301,390	\$ 80,883
Notes	207,899	-	42,982	164,917	11,787
General obligation bonds	840,000	-	105,000	735,000	110,000
Compensated absences	55,651	-	2,981	52,670	52,670
	<u>\$ 1,486,023</u>	<u>\$ -</u>	<u>\$ 232,046</u>	<u>\$ 1,253,977</u>	<u>\$ 255,340</u>
<b>Business-type activities:</b>					
Capital leases	\$ -	\$ 1,942,500	\$ 191,367	\$ 1,751,133	\$ 152,043
Notes	639,129	-	189,460	449,669	137,313
General obligation bonds	334,583	-	79,671	254,912	82,327
Revenue bonds	2,368,402	-	162,985	2,205,417	170,329
Compensated absences	23,432	-	898	22,534	22,534
	<u>\$ 3,365,546</u>	<u>\$ 1,942,500</u>	<u>\$ 624,381</u>	<u>\$ 4,683,665</u>	<u>\$ 564,546</u>

The annual requirements to amortize all long-term debt and obligations outstanding, excluding compensated absences, as of September 30, 2018, are as follows:

Year Ending June 30,	Notes		General Obligation Bonds		Revenue and Tax Bonds		Capital Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	303,389	10,463	192,327	29,400	170,329	59,785	232,926	129,869	\$ 898,971	\$ 229,517
2020	54,725	8,923	199,983	25,000	172,673	56,352	246,149	113,648	673,530	203,923
2021	43,488	6,687	207,602	20,400	180,017	52,121	254,280	99,561	685,387	178,769
2022	17,995	6,559	125,000	15,600	182,398	47,771	247,106	84,869	572,499	154,799
2023	18,543	3,285	130,000	10,600	105,000	43,088	202,293	70,207	455,836	127,180
2024 - 2028	102,398	19,982	135,000	5,400	575,000	169,725	869,769	120,806	1,682,167	315,913
2029 - 2033	63,961	6,074	-	-	820,000	76,181	-	-	883,961	82,255
2034 - 2035	10,087	638	-	-	-	-	-	-	10,087	638
	<u>\$ 614,586</u>	<u>\$ 62,611</u>	<u>\$ 989,912</u>	<u>\$ 106,400</u>	<u>\$ 2,205,417</u>	<u>\$ 505,023</u>	<u>\$ 2,052,523</u>	<u>\$ 618,960</u>	<u>\$ 5,862,438</u>	<u>\$ 1,292,994</u>

The City complied with all significant debt covenants and restrictions.

**E. Interfund Receivables, Payables and Transfers**

All interfund balances are expected to be repaid within the next fiscal year and are considered ordinary in nature. The composition of interfund balances as of September 30, 2018, is as follows (Electric Fund amounts are shown at 9/30/18 below and 6/30/18 on the face of the financials):

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Receivable Fund	Payable Fund	Amount
Electric Fund	General Fund	\$ 23,281
General Fund	Street Pavement	172
General Fund	Water/Sewer Fund	203,282
Port Maintenance Fund	General Fund	1
General Fund	Fiduciary Funds	9,627
Standard Industrial Fund	General Fund	101,500
Street Paving 2009 Fund	General Fund	15,979
Urban Development Fund	Standard Industrial Fund	27,732
Total		<u>\$ 381,574</u>

The following is a summary of transfers during the year ended September 30, 2018:

Transfers From	Transfers To	Amount
Electric Fund	General Fund	\$ 622,455
Water and Sewer Fund	General Fund	309,989
Total		<u>\$ 932,444</u>

The purpose of the \$932,444 transfer between the proprietary funds and the general fund is to make in lieu of tax transfers between the funds.

**NOTE 5 - OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 annual 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.

**B. Contingent Liabilities and Losses**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including

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amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although the City's management expects such amounts, if any, to be immaterial.

The City's sick leave policy provides no reasonable basis for accruing a liability for the accumulated vested amounts of sick leave. The amount of potential benefits payable at some future date cannot be determined at this time.

**C. Employee Retirement Systems and Pension Plans**

**June 30, 2017 Measurement Date – Aberdeen Electric Department**

*Plan Description:* The City of Aberdeen, Mississippi contributes to the Public Employees' Retirement Systems of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS is a defined benefit cost-sharing plan administered by the PERS System that provides retirement benefits to all eligible employees. Membership in PERS is a condition of employment granted upon hiring for qualifying employees including officials of the State of Mississippi (the State), state universities, community and junior colleges, and teachers and employees of the public school districts, and other public employees whose employers have elected to participate. For those persons employed by political subdivisions and instrumentalities of the State, membership is contingent upon approval of the entity's participation in PERS by the System's Board of Trustees. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees. Current rates are 15.75 percent for employer contributions and 9.00 for members. PERS employers contributed \$1,019.1 million and members contributed \$570.1 million for fiscal year 2017.

A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became

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members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. § 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. The PERS plan financial report is included in the Comprehensive Annual Financial Report of the Public Employees' Retirement System available at [www.PERS.ms.gov](http://www.PERS.ms.gov).

<b>Retirement Tier</b>	<b>Hire Date</b>	<b>Vesting Period</b>	<b>Retirement Eligibility</b>	<b>Service Retirement Formula</b>	<b>Partial Lump Sum Option</b>	<b>Non-Duty Related Disability Retirement</b>
Tier 1	June 30, 1992, or earlier	4 years	25 years at any age or age 60 and vested	2 percent per year for up to 25 years, plus 2.5 percent per year for each year over 25; Minimum monthly benefit under Maximum Retirement Allowance Option of \$10 per month for each year of service	28 years at any age or age 63 and vested	Age-Limited Plan, unless elected coverage under Tiered Disability Plan
Tier 2	July 1, 1992, through June 30, 2007	4 years	25 years at any age or age 60 and vested	2 percent per year for up to 25 years, plus 2.5 percent per year for each year over 25; Minimum monthly benefit under Maximum Retirement Allowance Option of \$10 per month for each year of service	28 years at any age or age 63 and vested	Tiered Disability Plan
Tier 3	July 1, 2007, through June 30, 2011	8 years	25 years at any age or age 60 and vested	2 percent per year for up to 25 years, plus 2.5 percent per year for each year over 25; Minimum monthly benefit under Maximum Retirement Allowance Option of \$10 per month for each year of service	28 years at any age	Tiered Disability Plan

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Tier 4	July 1, 2011, or later	8 years	30 years at any age or age 60 and vested	2 percent per year for up to 30 years, plus 2.5 percent per year for each year over 30, with an actuarial reduction for each year of creditable service below 30 or for each year in age below age 65, whichever is less; No minimum monthly benefit	33 years at any age	Tiered Disability Plan
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The following table summarizes the membership of the system as of June 30, 2018 (Measurement Date):

	<u>Plan Total</u>	<u>Utility</u>
Retirees and survivors	102,260	8
Inactive nonvested members	66,852	5
Active members	152,382	11
<b>Total</b>	<b><u>321,494</u></b>	<b><u>24</u></b>

*Contributions:* PERS members are required to contribute 9.00% of their annual covered salary to the Plan and the City of Aberdeen, Mississippi Electric Department is required to contribute at an actuarially determined rate. The current rate is 15.75% 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 Electric Department's contributions (employer only) to PERS for the fiscal year ended June 30, 2018 and 2017 respectively, were \$113,137 and \$101,369.

*Actuarial Assumptions:* The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.25% - 18.50% including inflation
Investment rate of return*	7.75% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016 with males rates set forward one year.

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

The long-term expected rate of return on pension plan investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of

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inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Long-Term Expected Rate of Return*
U.S. Broad	27.00%	4.60%
International Equity	18.00%	4.50%
Emerging Markets Equity	4.00%	4.75%
Global	12.00%	4.75%
Fixed Income	18.00%	0.75%
Real Assets	10.00%	3.50%
Private Equity	8.00%	6.15%
Emerging Debt	2.00%	2.25%
Cash	1.00%	0.00%
Total	100.00%	

*Discount Rate:* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Changes in Net Pension Liability:*

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2016	\$ 3,427,962	\$ 1,909,787	\$ 1,518,175
Changes for the year:			
Service cost	75,953	-	75,953
Interest	317,519	-	317,519
Differences between expected and actual experience	(17,361)	-	(17,361)
Change in allocation	799,487	519,632	279,855
Change in assumptions	2,430	-	2,430
Contributions - employer	-	102,580	(102,580)
Contributions - employee	-	57,383	(57,383)
Net investment income	-	345,881	(345,881)
Benefit payments, including refunds of employee contributions	(260,871)	(260,871)	-
Administrative expense	-	(2,877)	2,877
Transfers among employers	-	-	-
Net changes	917,157	761,728	155,429
Balances at 6/30/2017	\$ 4,345,119	\$ 2,671,515	\$ 1,673,604

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*Sensitivity of the Net Pension Liability to Changes in the Discount Rate:* The following table presents the Utility's net pension liability calculated using the discount rate of 7.75%, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75 %)	Current Rate (7.75 %)	1% Increase (8.75 %)
Utility's net pension liability	\$ 2,194,648	\$ 1,673,604	\$ 1,240,473

(Dollar amounts in thousands)

*Pension Plan Fiduciary Net Position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Report for the fiscal year ended June 30, 2017. The supporting actuarial information is included in the GASB Statement No. 68 Report for the PERS prepared as of June 30, 2017. The auditor's report dated June 30, 2017 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.pers.ms.gov](http://www.pers.ms.gov).

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions:* For the year ended June 30, 2018, the Department recognized pension expense of \$205,111. At June 30, 2018, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 24,040	\$ 12,210
Changes of assumptions	37,202	2,858
Net difference between projected and actual earnings on pension plan investments	-	21,484
Employer contributions subsequent to the measurement date	113,137	-
Total	<u>\$ 174,379</u>	<u>\$ 36,552</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2017," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:		
2019	\$	88,978
2020		(50,717)
2021		(29,105)
2022		(26,346)
2023		(1,559)
Thereafter	\$	43,439

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**June 30, 2018 Measurement Date – City of Aberdeen, MS (Excluding Aberdeen Electric Department)**

*Plan Description:* The City of Aberdeen, Mississippi contributes to the Public Employees' Retirement Systems of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. Membership in PERS is a condition of employment granted upon hiring for qualifying employees including officials of the State of Mississippi (the State), state universities, community and junior colleges, and teachers and employees of the public school districts, and other public employees whose employers have elected to participate. For those persons employed by political subdivisions and instrumentalities of the State, membership is contingent upon approval of the entity's participation in PERS by the System's Board of Trustees. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees. Current rates are 15.75 percent for employer contributions and 9.00 for members. PERS employers contributed \$1,018.2 million and members contributed \$570.8 million for fiscal year 2018.

A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. § 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. The PERS plan financial report is included in the Comprehensive Annual Financial Report of the Public Employees' Retirement System available at [www.PERS.ms.gov](http://www.PERS.ms.gov).

*Benefits Provided:* 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. As

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outlined in the chart below, date of hire and entry into PERS dictate members Retirement Tier. Each tier has its own required vesting period, required years of service to earn retirement eligibility, service retirement formula, Partial Lump Sum Option (PLSO) eligibility, and non-duty-related-disability plan.

<b>Retirement Tier</b>	<b>Hire Date</b>	<b>Vesting Period</b>	<b>Retirement Eligibility</b>	<b>Service Retirement Formula</b>	<b>Partial Lump Sum Option</b>	<b>Non-Duty Related Disability Retirement</b>
Tier 1	June 30, 1992, or earlier	4 years	25 years at any age or age 60 and vested	2 percent per year for up to 25 years, plus 2.5 percent per year for each year over 25; Minimum monthly benefit under Maximum Retirement Allowance Option of \$10 per month for each year of service	28 years at any age or age 63 and vested	Age-Limited Plan, unless elected coverage under Tiered Disability Plan
Tier 2	July 1, 1992, through June 30, 2007	4 years	25 years at any age or age 60 and vested	2 percent per year for up to 25 years, plus 2.5 percent per year for each year over 25; Minimum monthly benefit under Maximum Retirement Allowance Option of \$10 per month for each year of service	28 years at any age or age 63 and vested	Tiered Disability Plan

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Tier 3	July 1, 2007, through June 30, 2011	8 years	25 years at any age or age 60 and vested	2 percent per year for up to 25 years, plus 2.5 percent per year for each year over 25; Minimum monthly benefit under Maximum Retirement Allowance Option of \$10 per month for each year of service	28 years at any age	Tiered Disability Plan
Tier 4	July 1, 2011, or later	8 years	30 years at any age or age 60 and vested	2 percent per year for up to 30 years, plus 2.5 percent per year for each year over 30, with an actuarial reduction for each year of creditable service below 30 or for each year in age below age 65, whichever is less; No minimum monthly benefit	33 years at any age	Tiered Disability Plan

Retirees and beneficiaries who have been receiving benefit payments for at least one full fiscal year are eligible to receive an annual Cost-of-Living Adjustment (COLA). Designed to help offset the effects of inflation, the COLA is equal to 3 percent of your annual base benefit for each full fiscal year of retirement prior to the year in which you reach age 55 (Retirement Tiers 1 through 3) or 60 (Retirement Tier 4), plus 3 percent compounded for each fiscal year thereafter, beginning with the fiscal year in which you turn age 55 (Retirement Tiers 1 through 3) or 60 (Retirement Tier 4).

The following table summarizes the membership of the system as of September 30, 2018 (June 30, 2018 Measurement Date):

	<u>Plan Total</u>	<u>City</u>
Retirees and survivors	102,260	42
Inactive nonvested members	66,852	28
Active members	152,382	63
<b>Total</b>	<b><u>321,494</u></b>	<b><u>133</u></b>

**Contributions:** PERS members are required to contribute 9.00% of their annual covered salary to the Plan and the City of Aberdeen, Mississippi is required to contribute at an actuarially determined rate. The current rate is 15.75% 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 (employer only) to PERS for the fiscal year ended September 30, 2018, was \$379,295.

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*Actuarial Assumptions:* The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.25% - 18.50% including inflation
Investment rate of return*	7.75% net of pension plan investment expense, including inflation

\* Net of pension plan expense

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022 with males rates set forward one year for males with adjustments.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

The long-term expected rate of return on pension plan investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return*</b>
U.S. Broad	27.00%	4.60%
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Estate	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	0.00
Total	100.00%	

*Discount Rate:* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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*Changes in Net Pension Liability:*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2017	\$ 15,036,116	\$ 8,980,840	\$ 6,055,276
Changes for the year:			
Service cost	257,991	-	257,991
Interest	1,189,588	-	1,189,588
Differences between expected and actual experience	7,844	-	7,844
Change in allocation	-	-	-
Change in assumptions	49,107	-	49,107
Contributions - employer	-	373,886	(373,886)
Contributions - employee	-	209,610	(209,610)
Net investment income	-	876,147	(876,147)
Benefit payments, including refunds of employee contributions	(958,221)	(958,221)	-
Administrative expense	-	(5,972)	5,972
Other Expense	-	(1,764)	1,764
Net changes	546,309	493,686	52,623
Balances at 6/30/2018	\$ 15,582,425	\$ 9,474,526	\$ 6,107,899

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate:* The following table presents the City's (excluding Electric Department) net pension liability calculated using the discount rate of 7.75%, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75 %)	Current Rate (7.75 %)	1% Increase (8.75 %)
City's Net Pension Liability	\$ 8,042,350	\$ 6,107,899	\$ 4,525,373

*Pension Plan Fiduciary Net Position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Report for the fiscal year ended June 30, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the PERS prepared as of June 30, 2018. The auditor's report dated September 30, 2018 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.pers.ms.gov](http://www.pers.ms.gov).

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions:* For the year ended June 30, 2018, the City recognized pension expense of \$587,618 (\$525,015 – City and \$62,603 – Water/Sewer). At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

**CITY OF ABERDEEN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2018

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 26,777	\$ 25,748
Changes of assumptions	3,604	3,373
Net difference between projected and actual earnings on pension plan investments	-	121,416
Employer contributions subsequent to the measurement date	95,673	-
Total	<u>\$ 126,054</u>	<u>\$ 150,537</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2018," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

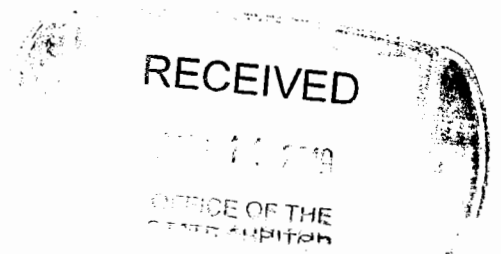
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:		
2019	\$	(70,652)
2020		19,770
2021		143,572
2022		27,466
2023		-
Thereafter	\$	-

**D. Prior-Period Adjustment**

There was an error discovered related to the Street Pavement fund in the current year. The fund was discovered to no longer be in use and thus any activity currently recorded in it would be in error. The fund was zeroed out and the fund balance that had been presented in the prior year as part of the general fund was removed with a prior period adjustment of \$18,907. In the Standard Industrial fund, which is presented as part of the other governmental funds, there was an interfund receivable that was due from the Street Pavement fund, which was found to no longer be receivable, so a prior period adjustment was made for \$36,000 to correct the prior year error related to the interfund receivable being presented.

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF ABERDEEN, MISSISSIPPI**  
**SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE**  
**PUBLIC EMPLOYEE RETIREMENT SYSTEM OF MISSISSIPPI - ELECTRIC**  
For the Year Ended September 30, 2018

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 133,611	\$ 129,033	\$ 91,099	\$ 110,707	\$ 65,098
Contributions in relation to the actuarially determined contribution	113,137	101,369	76,883	78,755	76,216
Contribution deficiency (excess)	\$ 20,474	\$ 27,664	\$ 14,216	\$ 31,952	\$ (11,118)
Covered-employee payroll	\$ 583,992	\$ 572,574	\$ 453,389	#REF!	#REF!
Contributions as a percentage of covered - employee payroll	19.37%	17.70%	16.96%	17.72%	16.50%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

*See independent auditor's report.*



**CITY OF ABERDEEN, MISSISSIPPI**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS BASED ON PARTICIPATION**  
**IN THE PUBLIC EMPLOYEE RETIREMENT SYSTEM OF MISSISSIPPI - ELECTRIC**  
**For the Year Ended September 30, 2018**

	2017	2016	2015	2014
Aberdeen Electric Department proportion of net pension liability	21.65%	19.65%	18.30%	18.87%
Aberdeen Electric Department proportionate share of the net pension liability (asset)	1,673,604	1,518,175	1,163,713	961,773
Aberdeen Electric Department covered employee payroll	607,805	511,870	444,528	462,039
Aberdeen Electric Department proportionate share of the net pension liability (asset) as a percentage of its covered payroll	36.32%	33.72%	38.20%	48.04%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

*See independent auditor's report.*

**CITY OF ABERDEEN, MISSISSIPPI**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**PUBLIC EMPLOYEE RETIREMENT SYSTEM OF MISSISSIPPI**  
For the Year Ended June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 19.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Changes of assumptions.

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

Changes in benefit provisions

2016

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

*See independent auditor's report.*

**CITY OF ABERDEEN, MISSISSIPPI**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS BASED ON PARTICIPATION**  
**IN THE PUBLIC EMPLOYEE RETIREMENT SYSTEM OF MISSISSIPPI**  
For the Year Ended September 30, 2018

	2018	2017	2016	2015
City of Aberdeen proportion of net pension liability	76.54%	78.35%	80.35%	81.70%
City of Aberdeen proportionate share of the net pension liability (asset)	6,107,899	6,055,276	6,207,176	5,195,703
City of Aberdeen covered employee payroll	2,343,621	2,370,804	2,342,186	2,024,995
City of Aberdeen proportionate share of the net pension liability (asset) as a percentage of its covered payroll	38.37%	39.15%	37.73%	38.97%
Plan fiduciary net position as a percentage of the total pension liability	64.47%	67.42%	76.60%	62.06%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

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**CITY OF ABERDEEN, MISSISSIPPI**  
**SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE**  
**PUBLIC EMPLOYEE RETIREMENT SYSTEM OF MISSISSIPPI**  
For the Year Ended September 30,

	<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>
Actuarially determined contribution	379,295	\$	373,402	\$	368,894	\$	330,733
Contributions in relation to the actuarially determined contribution	<u>379,295</u>		<u>373,402</u>		<u>367,841</u>		<u>329,611</u>
Contribution deficiency (excess)	<u>\$ -</u>	\$	<u>-</u>	\$	<u>1,053</u>	\$	<u>1,122</u>
Covered-employee payroll	2,408,222	\$	2,370,804	\$	2,342,186	\$	2,024,995
Contributions as a percentage of covered - employee payroll	15.75%		15.75%		15.71%		16.50%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

*See independent auditor's report.*

**CITY OF ABERDEEN, MISSISSIPPI**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**PUBLIC EMPLOYEE RETIREMENT SYSTEM OF MISSISSIPPI**  
For the Year Ended September 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	36.6 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 19.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Changes of assumptions.

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The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

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## **SUPPLEMENTARY INFORMATION SECTION**

**CITY OF ABERDEEN, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts			Variance- Over (Under)
	Original	Final	Actual	
<b>Revenues:</b>				
Property taxes	\$ 2,094,129	\$ 2,094,129	\$ 2,219,634	\$ 125,505
Intergovernmental	1,403,727	1,403,727	1,266,018	(137,709)
Charges for services	546,700	546,700	529,920	(16,780)
Licenses and permits	6,000	6,000	7,867	1,867
Rents	24,500	24,500	29,560	5,060
Fines	74,700	74,700	105,559	30,859
Grant proceeds	20,000	20,000	-	(20,000)
Interest	250	250	471	221
Other	105,387	105,387	161,116	55,729
<b>Total revenues</b>	<u>4,275,393</u>	<u>4,275,393</u>	<u>4,320,145</u>	<u>44,752</u>
<b>Expenditures:</b>				
Current:				
General government	1,781,924	1,781,924	1,555,305	(226,619)
Public safety	1,797,795	1,797,795	1,705,976	(91,819)
Public works	1,378,482	1,378,482	1,311,904	(66,578)
Health, culture, and recreation	290,527	290,527	298,632	8,105
Debt service:				
Principal	85,665	85,665	75,850	(9,815)
Interest	-	-	6,359	6,359
<b>Total expenditures</b>	<u>5,334,393</u>	<u>5,334,393</u>	<u>4,954,026</u>	<u>(380,367)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,059,000)</u>	<u>(1,059,000)</u>	<u>(633,881)</u>	<u>425,119</u>

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**CITY OF ABERDEEN, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts			Variance- Over (Under)
	Original	Final	Actual	
<b>Other financing sources (uses):</b>				
In lieu of tax payments	1,040,000	1,040,000	932,444	(107,556)
Transfer from other funds	19,000	19,000	18,116	(884)
<b>Total other financing     sources (uses)</b>	<u>1,059,000</u>	<u>1,059,000</u>	<u>950,560</u>	<u>(108,440)</u>
<b>Net changes in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	316,679	<u>\$ 316,679</u>
Fund balance - beginning			<u>723,156</u>	
Fund balance - beginning - restated			723,156	
Fund balance - ending			<u>\$ 1,039,835</u>	
Reconciliation to fund financial statements:				
Revenues over (under) expenditures - budgetary			\$ 316,679	
Revenues and expenditures not included in budgetary statements:				
S&J escrow fund - interest			29	
Street pavement fund- interest			10	
Street pavement fund- transfer			(18,116)	
HOME grant fund - grant receipts			116,800	
HOME grant fund - interest			2	
HOME grant fund - expenses			<u>(116,800)</u>	
Net change in fund balance - (page 16)			<u>\$ 298,604</u>	
Fund balance - budgetary			\$ 1,039,835	
Assets related to Prairie Construction fund			10,641	
Assets related to S&J escrow fund			61,315	
Assets related to common city fund			1	
Assets related to HOME Grant fund			41	
Assets related to Rural Development clearing			<u>13</u>	
Fund balance - (page 14)			<u>\$ 1,111,846</u>	

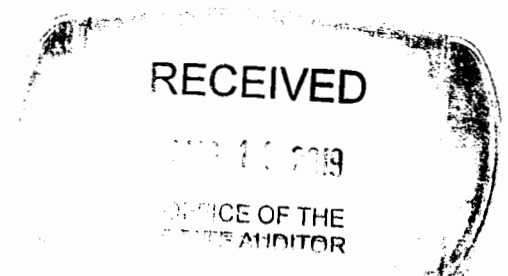
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**CITY OF ABERDEEN, MISSISSIPPI**  
**SCHEDULE OF WATER AND SEWER REVENUES AND EXPENSES**  
For the Fiscal Year Ended September 30, 2018

	Water	Sewer	Total
<b>Operating revenues</b>			
Charges for sales and services (net of uncollectible accounts \$8,086 Water and \$3,633 Sewer)	\$ 1,740,199	\$ 744,904	\$ 2,485,103
Other operating revenues	32,473	14,300	46,773
Total operating revenues	<u>1,772,672</u>	<u>759,204</u>	<u>2,531,876</u>
<b>Operating expenses</b>			
Operations	376,554	169,177	545,731
Maintenance	517,085	163,979	681,064
Depreciation	458,117	205,821	663,938
Total operating expenses	<u>1,351,756</u>	<u>538,977</u>	<u>1,890,733</u>
<b>Operating income (loss)</b>	<u>420,916</u>	<u>220,227</u>	<u>641,143</u>
<b>Nonoperating income (expense)</b>			
Interest earned	8,700	3,908	12,608
Loss on bond refunding	(1,121)	-	(1,121)
Interest expense	(50,687)	(22,773)	(73,460)
Total nonoperating income (expense)	<u>(43,108)</u>	<u>(18,865)</u>	<u>(61,973)</u>
<b>Change in net position before transfers and capital contributions</b>	377,808	201,362	579,170
<b>Transfers and capital contributions</b>			
In lieu of tax transfer	(213,892)	(96,097)	(309,989)
Tap fees	22,287	2,760	25,047
Total transfers and capital contributions	<u>(191,605)</u>	<u>(93,337)</u>	<u>(284,942)</u>
<b>Change in net position</b>	<u>\$ 186,203</u>	<u>\$ 108,025</u>	<u>\$ 294,228</u>

See independent auditor's report.



**CITY OF ABERDEEN, MISSISSIPPI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For The Fiscal Year Ended September 30, 2018

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>CFDA Number</u>	<u>Project or Grant Number</u>	<u>Expenditures</u>
Department of Housing and Urban Development HOME Investment Partnership Program	14.239	unknown	\$ 116,800
Total Expenditures of Federal Awards			<u>\$ 116,800</u>

*See independent auditor's report.*

**CITY OF ABERDEEN, MISSISSIPPI**  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
For The Fiscal Year Ended September 30, 2018

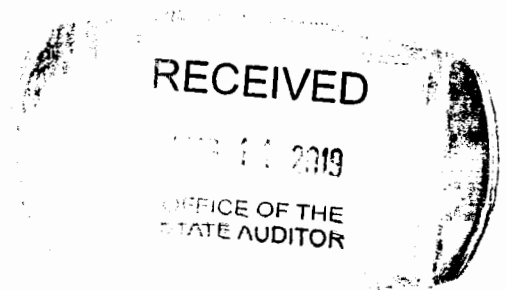
	<u>Project or Grant Number</u>	<u>Disbursements</u>
Mississippi Department of Transportation Ports & Waterways Multimodal Grant	PMM-17(001)	\$ <u>39,311</u>
Total Expenditures of State Awards		\$ <u>39,311</u>

*See independent auditor's report.*

**CITY OF ABERDEEN, MISSISSIPPI**  
**SCHEDULE OF SURETY BONDS**  
September 30, 2018

<u>Name</u>	<u>Position</u>	<u>Surety Company</u>	<u>Bond Amount</u>
Maurice Howard	Mayor	Old Republic	\$ 100,000
Carolyn Odom	Councilmember	Old Republic	100,000
Alonzo Sykes	Councilmember	Old Republic	100,000
David Ewing	Councilmember	Old Republic	100,000
Jim Buffington	Councilmember	Old Republic	100,000
Henry Randle	Police Chief	Old Republic	100,000
Jackie Benson	City Clerk	Old Republic	50,000
Karen Crump	Comptroller	CNASurety	50,000
Tamika Kendrick	City Accountant	CNASurety	50,000
Dispatchers Bond	Per Dispatcher	CNASurety	10,000
			<u>\$ 760,000</u>

See independent auditor's report.



## **INTERNAL CONTROL AND COMPLIANCE SECTION**



Alexander Thompson Arnold PLLC

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**Independent Auditor's 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 Aldermen  
City of Aberdeen, Mississippi

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aberdeen, Mississippi (the City), as of and for the year ended September 30, 2018 (Electric Dept. is as of June 30, 2018), and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 30, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and recommendations as item 2018-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and recommendations as item 2018-001 to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Aberdeen's Response to Findings

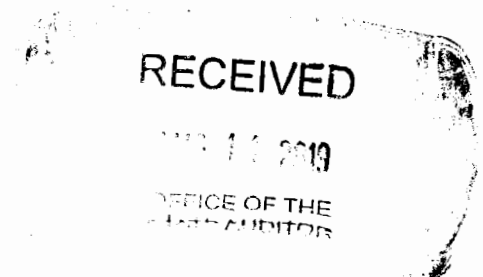
The City's response to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

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

*Alexander Thompson Arnold, PLLC*

Jackson, Tennessee  
May 30, 2019





Alexander Thompson Arnold PLLC

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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

We have audited the governmental activities, 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, 2018 (Electric Dept. is as of June 30, 2018), and have issued our report thereon dated May 30, 2019. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of those procedures and our audit of the general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations.

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

*Alexander Thompson Arnold, PLLC*

Jackson, Tennessee  
May 30, 2019



**CITY OF ABERDEEN, MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
September 30, 2018

**FINANCIAL STATEMENT FINDINGS**

**Current Year Findings:**

**2018-001 Internal Control Deficiency (Material Weakness)**

Condition: During the audit of the Electric Department, we noted instances of lack of controls and inadequate controls in place over several significant audit areas.

Cause: Lack of controls and inadequate controls in place over several significant audit areas.

Criteria: Multiple criteria were noted as follows:

Bank statement reconciliations – We noted long outstanding items as far back as 2010.

Disbursements – Auditor noted instances of disbursements lacking proper approval noted on the invoice/receipt, disbursements lacking detailed support (receipts, invoices, etc.), and posting to incorrect general ledger accounts.

Account reconciliations – Auditors noted attempts by the accounting department to reconcile accounts receivable and accounts payable, however there were unreconciled differences remaining that resulted in accounts receivable and accounts payable accounts not being reconciled to the general ledger accounts properly.

Billings– Auditors were unable to verify who was making the adjustments and if there was any secondary review of the adjustments. Instances of employees late on bill payment with no termination of service noted as well as outstanding balances on employee bills.

Effect: Lack of controls and inadequate controls over significant audit areas greatly increase the risk of material misstatement due to error and/or fraud and abuse.

Recommendation: We recommend that those charged with governance evaluate the personnel and policies of the System in order to address the items noted in order to develop strong controls to deter and detect material misstatements as a result of error and/or fraud and abuse in a timely manner

Response: The board of directors and management of the System will evaluate its policies and personnel in order to address the items noted so that adequate controls can be implemented to deter and detect material misstatements as a result of error and/or abuse in a timely manner

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**CITY OF ABERDEEN, MISSISSIPPI**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
September 30, 2018

**Prior Year Findings:**

**2017-001 Gas Usage Reconciliations Not Performed and Employee Requirements Not Being Properly Adhered To (Corrected)**

**2017-002 Internal Control Deficiency (Repeated)**