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CITY OF ABERDEEN, MISSISSIPPI
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR
ENDED SEPTEMBER 30, 2015

CITY OF ABERDEEN, MISSISSIPPI

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INTRODUCTORY SECTION

**CITY OF ABERDEEN, MISSISSIPPI
DIRECTORY**

September 30, 2015

ELECTED OFFICIALS

Cecil Belle, Mayor
Alonzo Sykes, Alderman
Wilchie Clay, Alderman
Sammie Burroughs, Alderman
Joel Irvin, Alderman
John Allen, Alderman

COUNSEL

John Dudley Williams
Aberdeen, Mississippi

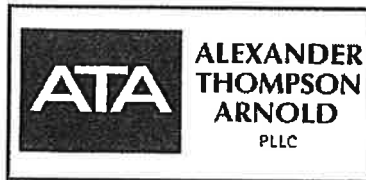
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants



Certified Public Accountants
Offices in Tennessee & Kentucky

227 Oil Well Rd.
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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, 2015, 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.

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, 2015, 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 GASB 68 schedules, and Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund on pages 5-9 and 50-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Aberdeen's basic financial statements. The introductory section and the other 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 April 8, 2016 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 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 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.

Jackson, Tennessee
April 8, 2016

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, 2015. Comparative analysis of key elements of total governmental funds and total enterprise funds has been provided.

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 \$16.99 million (net position). Of this amount, (\$1.54) million represents unrestricted net position.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$1.27 million. This was an increase of \$218 thousand, or 20.68%, from the prior year's fund balances. \$375 thousand of the ending fund balances was unassigned and available for current use by the City. There were also assigned balances totaling \$109 thousand and a nonspendable balance of \$78 thousand. The remaining balances had restrictions or commitments which are detailed on the face of the statements.
- The City's total debt obligations decreased by \$260 thousand 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 twelve 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 page 23 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 24 to 49 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 \$16.99 million at the close of the most recent fiscal year. The largest portion of the City's net position (99.55%) 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 \$1.62 million at the close of the fiscal year. \$16.91 million is net investment in capital asset and the remaining balance of (\$1.54) million represents unrestricted net position.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 3,255,464	\$ 2,967,161	\$ 8,089,911	\$ 7,396,407	\$ 11,345,375	\$ 10,363,568
Capital assets	6,094,269	6,066,271	16,521,721	17,128,200	22,615,990	23,194,471
Total assets	9,349,733	9,033,432	24,611,632	24,524,607	33,961,365	33,558,039
Deferred outflows of resources	575,251	-	158,070	-	733,321	-
Long-term liabilities	6,330,814	1,648,653	5,598,489	4,511,590	11,929,303	6,160,243
Other liabilities	(158,417)	(96,045)	3,635,778	3,773,697	3,477,361	3,677,652
Total liabilities	6,172,397	1,552,608	9,234,267	8,285,287	15,406,664	9,837,895
Deferred inflows of resources	2,144,926	1,904,477	154,452	-	2,299,378	1,904,477
Net position:						
Net investment in capital assets	4,444,847	4,466,225	12,466,728	12,636,848	16,911,575	17,103,073
Restricted	709,545	801,008	906,597	803,456	1,616,142	1,604,464
Unrestricted	(3,546,731)	309,114	2,007,658	2,799,016	(1,539,073)	3,108,130
Total net position	\$ 1,607,661	\$ 5,576,347	\$ 15,380,983	\$ 16,239,320	\$ 16,988,644	\$ 21,815,667

Statement of Activities - Expenses in the governmental activities exceeded revenues by \$4.71 million. In the business-type activities revenues exceeded expenses by \$1.52 million, which combined with general business-type revenues and transfers out resulted in a \$522 thousand change in net position. General government revenues of \$3.54 million and transfers from the utility fund of \$990 thousand helped net position to only decrease \$174 thousand for the governmental activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 756,800	\$ 781,018	\$ 17,485,583	\$ 17,669,415	\$ 18,242,383	\$ 18,450,433
Operating grants and contributions	11,730	6,316	4,205	4,304	15,935	10,620
Capital grants and contributions	24,700	2,820	-	-	24,700	2,820
General revenues:						
Property taxes	2,111,102	2,034,836	-	-	2,111,102	2,034,836
Intergovernmental	496,707	517,290	-	-	496,707	517,290
Sales tax	882,751	775,909	-	-	882,751	775,909
Other sources	51,818	42,206	(24,886)	(22,498)	26,932	19,708
Unrestricted interest	557	613	13,857	15,192	14,414	15,805
Total revenues	<u>\$ 4,336,165</u>	<u>\$ 4,161,008</u>	<u>\$ 17,478,759</u>	<u>\$ 17,666,413</u>	<u>\$ 21,814,924</u>	<u>\$ 21,827,421</u>
Expenses:						
General government	\$ 2,414,363	\$ 1,930,623	\$ -	\$ -	\$ 2,414,363	\$ 1,930,623
Public safety	1,264,965	1,653,080	-	-	1,264,965	1,653,080
Public works	1,136,072	1,201,349	-	-	1,136,072	1,201,349
Health, culture, welfare, and recreation	345,202	363,022	-	-	345,202	363,022
Economic development	105,961	91,579	-	-	105,961	91,579
Capital outlay	6,887	36,440	-	-	6,887	36,440
Debt service	226,350	144,921	-	-	226,350	144,921
Urban development	-	-	-	14,999	-	14,999
Electric	-	-	13,752,790	14,270,784	13,752,790	14,270,784
Water and Sewer	-	-	2,214,638	2,043,014	2,214,638	2,043,014
Total expenses	<u>5,499,800</u>	<u>5,421,014</u>	<u>15,967,428</u>	<u>16,328,797</u>	<u>21,467,228</u>	<u>21,749,811</u>
Excess/(deficiency) of revenues over/under expenses	(1,163,635)	(1,260,006)	1,511,331	1,337,616	347,696	77,610
Transfers	989,505	900,000	(989,505)	(900,000)	-	-
Increase in net position	(174,130)	(360,006)	521,826	437,616	347,696	77,610
Net position - beginning	5,576,347	5,561,353	16,239,320	16,024,453	21,815,667	21,585,806
Restatement due to GASB Statement No. 68 and 71	(3,809,756)	-	(1,483,927)	-	(5,293,683)	-
Prior period adjustment	15,200	375,000	118,042	(222,749)	133,242	152,251
Net position - beginning - restated	1,781,791	5,936,353	14,873,435	15,801,704	16,655,226	21,738,057
Net position - ending	<u>\$ 1,607,661</u>	<u>\$ 5,576,347</u>	<u>\$ 15,395,261</u>	<u>\$ 16,239,320</u>	<u>\$ 17,002,922</u>	<u>\$ 21,815,667</u>

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 92.11% of governmental fund revenues excluding debt proceeds and other financing sources. Accordingly, this discussion will focus on the general fund.

General fund balance was \$562 thousand at the end of the current fiscal year. Unassigned fund balance has a balance of \$375 thousand at year end. \$109 thousand is assigned and \$78 is nonspendable.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$15.38 million. Of the balance, \$12.47 million is net investment in capital assets, \$907 thousand is restricted for debt service and \$2.01 million is unrestricted. There was an overall decrease in net position for proprietary funds of \$858 thousand during the current year including the restatement due to GASB Statement No. 68 and 71 and prior period adjustment.

Budgetary highlights - Actual revenues and other financing sources were over the final budgeted amounts by \$57 thousand in the general fund. Proceeds from loans were over in the amount of \$217 thousand. Expenditures were \$223 thousand under budget in the general fund. Public safety expenses were under budget by \$237 thousand and public works expenses were over budget by \$111 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2014, the City had invested \$22.62 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 \$5.83 million. Of this amount, \$2.51 million comprises debt backed by the full faith and credit of the City. The remainder, \$3.32 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 inflation rate at September 30, 2015 is 0.0%, down from 1.7% at September 30, 2014. The unemployment rate for Monroe County is currently 7.2% down from 10.7% in 2014. The state's average unemployment rate is currently 6.6% down from 7.7% in 2014. The national average unemployment rate is currently 5.5%. All of the rates are from labor statistics released in April 2015, respectively.

All of these factors were considered in preparing the City's budget for the 2016 fiscal year. There are currently capital projects planned and ongoing for fiscal year 2016. These plans relate to the execution of a new meter reading system. The type of meter reading device that the System intends to install is referred to as an advance metering infrastructure (AMI).

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, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash on hand	\$ 100	\$ -	\$ 100
Cash and cash equivalents	844,207	3,859,153	4,703,360
Investments	-	769,228	769,228
Receivables:			
Taxes (net of allowances)	2,146,991	-	2,146,991
Accounts - other (net of allowances)	71,395	1,701,542	1,772,937
Accounts - court fines (net of allowances)	111,558	-	111,558
Grants	3,240	-	3,240
Rent receivable	-	60,576	60,576
Other receivables	-	11,196	11,196
Interest	-	648	648
Prepaid items	77,973	95,351	173,324
Inventories	-	269,011	269,011
Restricted assets:			
Cash and cash equivalents	-	932,724	932,724
Notes receivable	-	371,058	371,058
Unamortized loss on bond refunding	-	19,424	19,424
Capital assets not being depreciated:			
Land	331,364	184,795	516,159
Plant in service	-	15,112	15,112
Construction in progress	78,864	88,010	166,874
Capital assets net of accumulated depreciation:			
Electric plant	-	3,622,460	3,622,460
General plant	-	609,349	609,349
Water distribution system	-	8,459,083	8,459,083
Wastewater treatment	-	3,255,133	3,255,133
Buildings and improvements	1,340,109	10,127	1,350,236
Infrastructure	3,824,614	-	3,824,614
Other capital assets	519,318	277,652	796,970
Total assets	\$ 9,349,733	\$ 24,611,632	\$ 33,961,365

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

CITY OF ABERDEEN, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Liabilities			
Accounts payable and other accrued expenses	\$ 300,788	\$ 2,240,074	\$ 2,540,862
Accrued payroll expenses	6,229	10,674	16,903
Internal balances	(471,012)	682,401	211,389
Accrued interest	5,578	26,127	31,705
Customer deposits	-	576,212	576,212
Advances from Home Insulation Program	-	93,491	93,491
Premium on bonds payable	-	6,799	6,799
Noncurrent liabilities:			
Net pension liability	4,632,785	1,524,691	6,157,476
Due within one year	295,827	519,903	815,730
Due in more than one year	1,402,202	3,553,895	4,956,097
Total liabilities	<u>6,172,397</u>	<u>9,234,267</u>	<u>15,406,664</u>
Deferred inflows of resources			
Pension - difference between expected and actual earnings	124,430	154,452	278,882
Property Taxes - unavailable	2,020,496	-	2,020,496
Total deferred inflows of resources	<u>2,144,926</u>	<u>154,452</u>	<u>2,299,378</u>
Net position			
Net investment in capital assets	4,444,847	12,466,728	16,911,575
Restricted for:			
Debt service	17,991	906,597	924,588
Municipal fire	235,200	-	235,200
Tourism	19,378	-	19,378
Capital projects	43,999	-	43,999
Industrial purposes	122,683	-	122,683
Port maintenance	270,294	-	270,294
Unrestricted	(3,546,731)	2,007,658	(1,539,073)
Total net position	<u>\$ 1,607,661</u>	<u>\$ 15,380,983</u>	<u>\$ 16,988,644</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, 2015

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 2,414,363	\$ 21,451	\$ -	\$ -	\$ (2,392,912)	\$ -	\$ (2,392,912)
Public safety	1,264,965	104,910	9,340	24,700	(1,126,015)	-	(1,126,015)
Public works	1,136,072	540,917	272	-	(594,883)	-	(594,883)
Health, culture, welfare, and recreation	345,202	84,172	2,118	-	(258,912)	-	(258,912)
Economic development	105,961	5,350	-	-	(100,611)	-	(100,611)
Capital outlay	6,887	-	-	-	(6,887)	-	(6,887)
Interest on long-term debt	226,350	-	-	-	(226,350)	-	(226,350)
Total governmental activities	5,499,800	756,800	11,730	24,700	(4,706,570)	-	(4,706,570)
Business-type activities:							
Urban development	-	(88,412)	-	-	-	(88,412)	(88,412)
Electric	13,752,790	14,840,826	-	-	-	1,088,036	1,088,036
Water and sewer	2,214,638	2,733,169	4,205	-	-	522,736	522,736
Total business-type activities	15,967,428	17,485,583	4,205	-	-	1,522,360	1,522,360
Total primary government	\$ 21,467,228	\$ 18,242,383	\$ 15,935	\$ 24,700	(4,706,570)	1,522,360	(3,184,210)

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, 2015

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
General revenues:						
Property taxes - levied for general government including penalties					\$ 2,111,102	\$ -
Intergovernmental					496,707	-
Sales tax					882,751	-
Other sources					51,818	(24,886)
Unrestricted interest income					557	13,857
Total general revenues					<u>3,542,935</u>	<u>(11,029)</u>
						<u>3,531,906</u>
Transfers						
In lieu of taxes in (out)					989,505	(989,505)
Total transfers					<u>989,505</u>	<u>(989,505)</u>
						<u>-</u>
Total general revenues and transfers					<u>4,532,440</u>	<u>(1,000,534)</u>
						<u>3,531,906</u>
Changes in net position						
Net position - beginning					<u>(174,130)</u>	<u>521,826</u>
					<u>5,576,347</u>	<u>16,239,320</u>
						<u>21,815,667</u>
Restatement due to GASB Statement No. 68 and 71					(3,809,756)	(1,483,927)
Prior period adjustment					<u>15,200</u>	<u>118,042</u>
						<u>133,242</u>
Net position - beginning - restated					<u>1,781,791</u>	<u>14,873,435</u>
						<u>21,948,909</u>
Net position - ending					<u>\$ 1,607,661</u>	<u>\$ 15,395,261</u>
						<u>\$ 22,296,605</u>

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

CITY OF ABERDEEN, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2015

	Common City/General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash on hand	\$ 100	\$ -	\$ 100
Cash and cash equivalents	243,490	600,717	844,207
Investments	-	-	-
Receivables:			
Taxes	1,977,999	168,992	2,146,991
Accounts	60,261	11,134	71,395
Grants	3,240	-	3,240
Court fines (net of allowance for uncollectibles \$1,004,020)	111,558	-	111,558
Prepaid items	77,973	-	77,973
Due from other funds	527,860	153,479	681,339
Total assets	\$ 3,002,481	\$ 934,322	\$ 3,936,803
Liabilities			
Accounts payable and other accrued expenses	\$ 272,725	\$ 28,063	\$ 300,788
Accrued payroll expenses	6,229	-	6,229
Due to other funds	182,595	27,732	210,327
Total liabilities	461,549	55,795	517,344
Deferred inflows of resources			
Court fines - unavailable	111,558	-	111,558
Property taxes - unavailable	1,867,088	168,992	2,036,080
Total deferred inflows of resources	1,978,646	168,992	2,147,638
Fund balances:			
Nonspendable	77,973	-	77,973
Restricted for:			
Municipal fire	-	235,200	235,200
Tourism	-	19,378	19,378
Debt service	-	17,991	17,991
Capital projects	-	43,999	43,999
Industrial purposes	-	122,683	122,683
Port maintenance	-	270,294	270,294
Assigned for:			
Industrial purposes	61,223	-	61,223
Street paving	47,621	-	47,621
Unassigned	375,469	(10)	375,459
Total fund balances	562,286	709,535	1,271,821
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,002,481	\$ 934,322	\$ 3,936,803

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, 2015

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

Fund balance - total governmental funds (Page 14)	\$ 1,271,821
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds	6,094,269
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds	
Taxes	127,142
Net pension liability is not due in the current period and, therefore, is not reported in the funds.	(4,632,785)
Deferred outflows of resources - pensions are not available to pay current expenditures and, therefore, are unavailable in the funds.	575,251
Deferred inflows of resources - pensions are not due in the current period and, therefore, are unavailable in the funds.	(124,430)
Payables, such as accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds	(5,578)
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>(1,698,029)</u>
Net position of governmental activities (Page 11)	<u>\$ 1,607,661</u>

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

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

For the Fiscal Year Ended September 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 1,913,831	\$ 149,276	\$ 2,063,107
Intergovernmental	1,322,717	92,752	1,415,469
Charges for services	549,000	-	549,000
Licenses and permits	4,517	-	4,517
Rents	16,934	65,946	82,880
Fines	68,530	31,937	100,467
Grant proceeds	8,130	-	8,130
Interest	237	320	557
Other	94,543	769	95,312
Total revenues	<u>3,978,439</u>	<u>341,000</u>	<u>4,319,439</u>
Expenditures:			
General government	1,743,479	1,940	1,745,419
Public safety	1,502,223	16,709	1,518,932
Public works	1,368,011	1,958	1,369,969
Health, culture, and recreation	213,032	135,090	348,122
Economic development	-	105,961	105,961
Capital outlay	-	6,887	6,887
Debt service:			
Principal	180,675	95,000	275,675
Interest	-	45,675	45,675
Total expenditures	<u>5,007,420</u>	<u>409,220</u>	<u>5,416,640</u>
Revenues over (under) expenditures	<u>(1,028,981)</u>	<u>(68,220)</u>	<u>(1,097,201)</u>
Other financing sources (uses):			
Transfer-in lieu of tax payments	989,505	-	989,505
Transfers in (out)	147,332	(39,112)	108,220
Proceeds from loans	217,405	-	217,405
Total other financing sources (uses)	<u>1,354,242</u>	<u>(39,112)</u>	<u>1,315,130</u>
Net changes in fund balance	325,261	(107,332)	217,929
Fund balance - beginning	<u>237,025</u>	<u>816,867</u>	<u>1,053,892</u>
Fund balance - ending	<u>\$ 562,286</u>	<u>\$ 709,535</u>	<u>\$ 1,271,821</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, 2015

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

Net change in fund balance - total governmental funds (Page 16)	\$ 217,929
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.	12,798
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	16,727
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.	10,948
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.	68,521
The actuarially determined pension expense does not consume current financial resources and, therefore, is not reported in the governmental funds. It is reported as revenue in the statement of activities.	(440,729)
The issuance of the principal of long-term debt increases the current financial resources of governmental funds. These transactions do not have any effect on net position.	(325,625)
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>265,301</u>
Change in net position of governmental activities (Page 13)	<u>\$ (174,130)</u>

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

**CITY OF ABERDEEN, MISSISSIPPI
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2015**

Assets	Urban Development	Electric	Water and Sewer	Total
Current assets:				
Cash and cash equivalents	\$ 111,739	\$ 3,229,751	\$ 517,663	\$ 3,859,153
Accounts receivable (net of allowance for uncollectable of \$11,108)	-	1,464,678	236,864	1,701,542
Rent receivable	-	60,576	-	60,576
Other receivables	-	11,196	-	11,196
Interest receivable	-	-	648	648
Due from other funds	28,332	264,503	-	292,835
Prepaid items	-	24,874	70,477	95,351
Inventories	-	172,313	96,698	269,011
Total current assets	140,071	5,227,891	922,350	6,290,312
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	-	602,288	330,436	932,724
Investments	-	-	769,228	769,228
Other assets:				
Unamortized loss on bond refunding	-	-	19,424	19,424
Notes receivable, net of allowance - noncurrent	185,490	109,467	76,101	371,058
Total noncurrent assets	185,490	711,755	1,195,189	2,092,434
Capital assets:				
Capital assets, not being depreciated:				
Land	-	57,948	126,847	184,795
Plant in services	-	15,112	-	15,112
Construction in progress	-	4,711	83,299	88,010
Capital assets, being depreciated:				
Electric plant	-	3,622,460	-	3,622,460
General plant	-	609,349	-	609,349
Water distribution system	-	-	8,459,083	8,459,083
Wastewater treatment	-	-	3,255,133	3,255,133
Buildings and improvements	-	-	5,575	5,575
Machinery and equipment	-	-	282,204	282,204
Total capital assets	-	4,309,580	12,212,141	16,521,721
Total assets	\$ 325,561	\$ 10,249,226	\$ 14,329,680	\$ 24,904,467
Deferred outflows of resources				
Differences between expected and actual experience	-	-	13,080	13,080
Changes of assumptions	-	-	48,493	48,493
Pension contributions subsequent to the measurement date	-	88,820	7,677	96,497
Total deferred outflows of resources	\$ -	\$ 88,820	\$ 69,250	\$ 158,070

NOTE - Amounts for the Electric Fund are at June 30, 2015.

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

**CITY OF ABERDEEN, MISSISSIPPI
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2015**

	<u>Urban Development</u>	<u>Electric</u>	<u>Water and Sewer</u>	<u>Total</u>
Liabilities and net position				
Liabilities:				
Current liabilities:				
Accounts payable and other accrued expenses \$	-	\$ 2,148,562	\$ 91,512	\$ 2,240,074
Accrued payroll expenses	-	6,064	4,610	10,674
Due to other funds	-	260,552	714,684	975,236
Total current liabilities	-	2,415,178	810,806	3,225,984
Current liabilities payable from restricted assets:				
Accrued interest payable	-	11,338	14,789	26,127
Customer deposits	-	478,235	97,977	576,212
Current maturities of long-term debt	-	258,833	261,070	519,903
Total current liabilities payable from restricted assets	-	748,406	373,836	1,122,242
Noncurrent liabilities:				
Advances from Home Insulation Program	-	93,491	-	93,491
Premium on bonds payable	-	-	6,799	6,799
Notes payable	-	-	252,514	252,514
Bonds payable	-	442,035	2,840,541	3,282,576
Net pension liability	-	961,773	562,918	1,524,691
Compensated absences payable	-	14,176	4,629	18,805
Total noncurrent liabilities	-	1,511,475	3,667,401	5,178,876
Total liabilities	-	4,675,059	4,852,043	9,527,102
Deferred inflows of resources				
Pension - difference between expected and actuarial experience	-	139,333	15,119	154,452
Total deferred inflows of resources	\$ -	\$ 139,333	\$ 15,119	\$ 154,452
Net position:				
Net investment in capital assets	-	3,608,712	8,858,016	12,466,728
Restricted for debt service	-	590,950	315,647	906,597
Unrestricted	325,561	1,323,992	358,105	2,007,658
Total net position	325,561	5,523,654	9,531,768	15,380,983
Total liabilities, deferred inflows of resources, and net position	\$ 325,561	\$ 10,338,046	\$ 14,398,930	\$ 25,062,537

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, 2015

	Urban Development	Electric	Water and Sewer	Total
Operating revenues				
Charges for sales and services	\$ -	\$ 14,530,246	\$ 2,624,163	\$ 17,154,409
Other operating revenues	(88,412)	310,580	109,006	331,174
Total operating revenues	(88,412)	14,840,826	2,733,169	17,485,583
Operating expenses				
Cost of sales and services	-	12,222,134	-	12,222,134
Operations	-	1,022,366	648,790	1,671,156
Maintenance	-	239,054	730,797	969,851
Depreciation	-	240,770	662,504	903,274
Total operating expenses	-	13,724,324	2,042,091	15,766,415
Operating income (loss)	(88,412)	1,116,502	691,078	1,719,168
Nonoperating income (expense)				
Interest earned	-	11,560	2,297	13,857
Uncollectible accounts	-	-	(24,886)	(24,886)
Miscellaneous nonoperating income	-	192	-	192
Loss on disposal of assets	-	-	(14,278)	(14,278)
Interest expense	-	(26,305)	(94,922)	(121,227)
Debt issuance costs	-	(2,353)	(77,625)	(79,978)
Total nonoperating income (expense)	-	(16,906)	(209,414)	(226,320)
Change in net position before transfers and capital contributions	(88,412)	1,099,596	481,664	1,492,848
Transfers and capital contributions				
In lieu of tax transfer	-	(700,000)	(289,505)	(989,505)
Tap fees	-	-	4,205	4,205
Total transfers and capital contributions	-	(700,000)	(285,300)	(985,300)
Change in net position	(88,412)	399,596	196,364	507,548
Total net position - beginning	413,973	6,027,031	9,798,316	16,239,320
Restatement due to GASB Statement No. 68 and 71	-	(1,021,015)	(462,912)	(1,483,927)
Prior period adjustment	-	118,042	-	118,042
Total net position - beginning - restated	413,973	5,124,058	9,335,404	14,873,435
Total net position - ending	\$ 325,561	\$ 5,523,654	\$ 9,531,768	\$ 15,380,983

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, 2015

	Urban Development	Electric	Water and Sewer	Total
Cash flows from operating activities:				
Cash received from consumers and other funds	\$ (88,412)	\$ 14,992,279	\$ 2,755,953	17,659,820
Cash paid to suppliers of goods & services	-	(13,022,251)	(1,240,826)	(14,263,077)
Cash paid to employees for services and benefits	-	(440,689)	(300,353)	(741,042)
Customer deposits received and refunded	-	43,475	4,400	47,875
Due to/from other funds	7,050	-	214,858	221,908
In lieu of tax transfers	-	(700,000)	(289,505)	(989,505)
Net cash provided (used) by operating activities	(81,362)	872,814	1,144,527	1,935,979
Cash flows from non-capital and related financing activities:				
Advances from TVA	-	(25,478)	-	(25,478)
Net cash provided (used) by non-capital and related financing activities	-	(25,478)	-	(25,478)
Cash flows from capital and related financing activities:				
Principal paid on long-term debt	-	(255,378)	(2,281,392)	(2,536,770)
Issuance of long-term debt	-	-	2,311,999	2,311,999
Interest and administrative expenses paid on long-term debt	-	(28,515)	(86,017)	(114,532)
Construction and purchase of capital assets	-	(90,934)	(213,889)	(304,823)
Plant removal cost	-	(15,349)	-	(15,349)
Materials salvaged from retirements	-	23,377	-	23,377
Net cash provided (used) by capital and related financing activities	-	(366,799)	(269,299)	(636,098)
Cash flows from investing activities:				
Repayment of note receivable	131,893	(40,553)	-	91,340
Maturity of long-term certificates of deposit	-	-	811,704	811,704
Purchase of long-term certificates of deposit	-	-	(769,228)	(769,228)
Interest income payments received	-	11,560	3,134	14,694
Net cash provided (used) by investing activities	131,893	(28,993)	45,610	148,510
Net increase (decrease) in cash and cash equivalents	50,531	451,544	920,838	1,422,913
Cash and cash equivalents - beginning	61,208	3,380,495	273,277	3,714,980
Cash and cash equivalents - ending	\$ 111,739	\$ 3,832,039	\$ 1,194,115	\$ 5,137,893
Cash and cash equivalents				
Unrestricted cash on hand	\$ -	\$ 500	\$ -	\$ 500
Unrestricted cash and cash equivalents on deposit	111,739	3,229,251	517,663	3,858,653
Restricted cash and cash equivalents on deposit	-	602,288	330,436	932,724
Total cash and cash equivalents	\$ 111,739	\$ 3,832,039	\$ 848,099	\$ 4,791,877

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, 2015

	<u>Urban Development</u>	<u>Electric</u>	<u>Water and Sewer</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used)				
by operating activities				
Operating income (loss)	\$ (88,412)	\$ 1,116,502	\$ 691,078	\$1,719,168
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	240,770	662,504	903,274
Pension expense - actuarially determined	-	-	53,552	53,552
Pension contributions subsequent to the measurement date	-	109,313	7,677	116,990
Other receipts (payments)	-	(2,161)	4,205	2,044
In lieu of tax transfers	-	(700,000)	(289,505)	(989,505)
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	-	151,453	18,579	170,032
(Increase) decrease in materials and supplies	-	1,756	(50,889)	(49,133)
(Increase) decrease in prepayments and other current assets	-	40,997	4,850	45,847
(Increase) decrease in due from other funds	7,050	118,928	25,174	151,152
Increase (decrease) in accounts payable and accrued expenses	-	(273,870)	(168,442)	(440,312)
Increase (decrease) in customer deposits	-	43,475	4,400	47,875
Increase (decrease) in due to other funds	-	25,651	189,684	215,335
Net cash provided (used) by operating activities	<u>\$ (81,362)</u>	<u>\$ 872,814</u>	<u>\$ 1,154,867</u>	<u>\$1,946,319</u>

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

CITY OF ABERDEEN, MISSISSIPPI
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2015

Assets

Cash and cash equivalents	\$ 141,154
Total assets	<u>\$ 141,154</u>

Liabilities and fund balances

Liabilities:

Due to other funds	\$ 88,183
Total liabilities	<u>\$ 88,183</u>

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

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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 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, 2015

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.

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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. As of September 30, 2015, the City had certificates of deposit greater than three months in the amount of \$769,228.

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.

CITY OF ABERDEEN, MISSISSIPPI
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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, grant 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 changes in experience, and pension changes in proportion of net pension liability are reported.

Compensated Absences

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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, 2015 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.

Assigned fund balance

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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.

Impact of Recently Issued Accounting Pronouncements

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*, and Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. Statement 67, effective for fiscal years beginning after June 15, 2013, revises existing standards of financial reporting by state and local government pension plans and will be adopted by the pension plan itself. Statement 68 will affect the governments that participate as employers in these plans and is effective for fiscal years beginning after June 15, 2014. For governments to adopt Statement 68, the underlying pension plans must first adopt Statement 67. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligations. Management has adopted GASB Statement No. 68 in the current year and has reported all of the required disclosures and financial statement amounts for the current fiscal year.

In January 2013, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement also provides guidance on how to determine the gain or loss on a disposal of government operations. This Statement applies to all state and local governmental entities. The requirements of this Statement should be applied prospectively and are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. The implementation of this Statement had no effect on the City's financial statements.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions. The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. Guidance is provided for situations where a state or local government extends or receives a nonexchange financial guarantee. The requirements of this Statement are effective for financial

CITY OF ABERDEEN, MISSISSIPPI
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statements for reporting periods beginning after June 15, 2013. Management has evaluated the impact of the adoption of this statement on the City's financial statements and the implementation had no effect on the City's financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The implementation of this statement resulted in a restatement of beginning net position for deferred outflows.

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 \$1,698,029 are as follows:

Bonds payable	\$ 1,248,065
Capital leases payable	213,187
Accrued leave	37,659
Notes payable	<u>199,118</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>\$ 1,698,029</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 \$6,094,269 are as follows:

CITY OF ABERDEEN, MISSISSIPPI
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Land	\$ 331,364
Construction in progress	78,864
Buildings and improvements	1,340,109
Infrastructure	3,824,614
Other capital assets	<u>519,318</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 6,094,269</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 \$12,798 difference are as follows:

Capital outlay	\$ 355,656
Depreciation expense	(308,158)
Book value of assets disposed	<u>(34,700)</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 12,798</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.

CITY OF ABERDEEN, MISSISSIPPI
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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 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	\$ 1,977,999	\$ -	\$ -	\$ 168,992	\$ 2,146,991
Accounts	108,498	1,502,560	247,972	11,134	1,870,164
Court fines	1,115,578	-	-	-	1,115,578
Rents	-	60,576	-	-	60,576
Other	-	11,196	-	-	11,196
Grants	3,240	-	-	-	3,240
Interest	-	-	648	-	648
Gross receivables	3,205,315	1,574,332	248,620	180,126	5,208,393
Less: Allowance for uncollectibles	(1,052,257)	(37,882)	(11,108)	-	(1,101,247)
Net total receivables	<u>\$ 2,153,058</u>	<u>\$ 1,536,450</u>	<u>\$ 237,512</u>	<u>\$ 180,126</u>	<u>\$ 4,107,146</u>

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 \$112 thousand in unavailable revenue related to court fines receivable and \$2.04 million in unavailable revenue related to property taxes receivable.

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

C. Capital Assets

Capital asset activity for the year ended September 30, 2015 was as follows:

	Beginning Balance	Additions	Disposals	Reclassifications	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 331,364	\$ -	\$ -	\$ -	\$ 331,364
Construction in progress	108,220	78,864	-	(108,220)	78,864
Total capital assets, not being depreciated	439,584	78,864	-	(108,220)	410,228
Capital assets being depreciated:					
Buildings and improvements	1,377,807	101,476	-	108,220	1,587,503
Infrastructure	8,353,636	-	-	83,807	8,437,443
Machinery and equipment	2,080,157	190,516	347,000	(83,807)	1,839,866
Total capital assets being depreciated	11,811,600	291,992	347,000	108,220	11,864,812
Less accumulated depreciation for:					
Buildings and improvements	199,039	48,355	-	-	247,394
Infrastructure	4,376,954	152,068	-	83,807	4,612,829
Other capital assets	1,608,920	107,735	312,300	(83,807)	1,320,548
Total accumulated depreciation	6,184,913	308,158	312,300	-	6,180,771
Total capital assets being depreciated, net	5,626,687	(16,166)	34,700	108,220	5,684,041
Governmental activities capital assets, net	\$ 6,066,271	\$ 62,698	\$ 34,700	\$ -	\$ 6,094,269
	Beginning Balance	Additions	Disposals	Reclassifications	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 184,795	\$ -	\$ -	\$ -	\$ 184,795
Distribution plant	15,164	-	-	(52)	15,112
Construction in progress	135,032	83,299	30,139	(100,182)	88,010
Total capital assets, not being depreciated	334,991	83,299	30,139	(100,234)	287,917
Capital assets being depreciated:					
Electric distribution plant	8,748,022	68,572	23,253	(9,954)	8,783,387
General plant	1,826,077	125,295	-	(24,870)	1,926,502
Water distribution system	16,643,887	2,731	2,688	-	16,643,930
Wastewater treatment	5,086,988	14,868	-	-	5,101,856
Buildings and improvements	200,279	-	-	-	200,279
Machinery and equipment	850,900	127,269	-	100,182	1,078,351
Total capital assets being depreciated	33,356,153	338,735	25,941	65,358	33,734,305

CITY OF ABERDEEN, MISSISSIPPI
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Less accumulated depreciation for:					
Electric distribution plant	4,905,782	220,862	15,222	49,505	5,160,927
General plant	1,297,245	19,908	-	-	1,317,153
Water distribution system	7,792,153	392,694	-	-	8,184,847
Wastewater treatment	1,719,412	127,311	-	-	1,846,723
Buildings and improvements	165,686	24,466	-	-	190,152
Machinery and equipment	682,666	118,033	-	-	800,699
Total accumulated depreciation	<u>16,562,944</u>	<u>903,274</u>	<u>15,222</u>	<u>49,505</u>	<u>17,500,501</u>
Total capital assets being depreciated, net	<u>16,793,209</u>	<u>(564,539)</u>	<u>10,719</u>	<u>15,853</u>	<u>16,233,804</u>
Business-type activities capital assets, net	<u>17,128,200</u>	<u>(481,240)</u>	<u>40,858</u>	<u>(84,381)</u>	<u>16,521,721</u>
Total capital assets, net	<u>\$ 23,194,471</u>	<u>\$ (418,542)</u>	<u>\$ 75,558</u>	<u>\$ (84,381)</u>	<u>\$ 22,615,990</u>

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

Governmental activities:	
General government	\$ 2,105
Public safety	21,731
Public works	283,692
Health, culture, recreation, and welfare	630
Total depreciation expense - governmental activities	<u>308,158</u>
Business-type activities:	
Electric	240,770
Water and sewer	662,504
Total depreciation expense - business-type activities	<u>903,274</u>
Total depreciation	<u>\$ 1,211,432</u>

CITY OF ABERDEEN, MISSISSIPPI
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September 30, 2015

D. Long-term Debt

General long-term debt at September 30, 2015 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	\$ 1,035,000
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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.	199,118
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Loader loan through BancorpSouth, dated 3/30/15 due in annual installments of \$31,406 including interest at 2.110% through March 2019.	125,625
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715 East Commerce loan through Bancorp South, dated 8/27/12 due in monthly installments of \$2,715 including interest at 3.25% through September 2017.	60,269
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Garbage Carts loan through Cadence Bank, dated 7/29/13 due in monthly installments of \$2,893 including interest at 2.65% through August 2018.	97,722
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Capital lease payable:

Police Cars, interest at 2.50% due annually maturing in December 2015	27,171
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Excavator, interest at 3.15% due monthly maturing in June 2018	18,191
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2013 Chevrolet Truck, interest at 3.09% due monthly maturing in November 2016	5,968
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Garbage Truck, interest at 3.00% due monthly maturing in July 2016	24,948
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2014 Ford Truck, interest at 2.40% due monthly maturing in April 2018	12,457
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Street sweeper, interest at 2.14% due annually maturing in February 2017	53,901
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Total long-term debt - governmental activities	<u>1,660,370</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, 2015 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.	260,539
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.	112,694
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.	159,341
Capital equipment loan through BancorpSouth, dated 11/21/14 due in monthly installments of \$599 including interest at 2.09% through November 2017.	15,220
Capital equipment loan through BancorpSouth, dated 11/19/13 due in monthly installments of \$818 including interest at 2.24% through November 2017.	20,728
Joint cost liability due to electric department, payments monthly through 2016	244,289
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	2,175,000
General Obligation Bonds, Series 2011 due in annual installments of \$85,603 to \$90,725, including interest at 2%-3% due through September 2021	<u>485,959</u>
Total long-term debt - water and sewer activities	<u>3,473,770</u>

Electric fund long-term debt at June 30, 2015 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	492,338
Electric System Revenue Bonds, Series 2003 due in semi-annual installments of \$30,000-\$95,000, including interest at 1.50%-4.30% due through 2016	170,000

Note Payable:

Capital equipment loan through Cadence Bank, dated 2/13/14 due in monthly installments of \$2,180 including interest at 2.15% through December 2016	<u>38,530</u>
Total long-term debt - electric activities	<u>700,868</u>
Total long-term debt - proprietary fund activities	<u>4,174,638</u>

Total long-term debt	5,835,008
Accrued annual leave - governmental funds	37,659
Accrued annual leave - proprietary funds	<u>18,805</u>
Total noncurrent liabilities	<u>\$ 5,891,472</u>

CITY OF ABERDEEN, MISSISSIPPI
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The following is a summary of long-term debt activity for the year ended September 30, 2015:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	\$ 250,301	\$ -	\$ 107,664	\$ 142,637	\$ 99,571
Notes	219,745	325,625	66,049	479,321	104,900
General obligation bonds	1,130,000	-	95,000	1,035,000	95,000
Compensated absences	48,607	-	10,948	37,659	37,659
	<u>\$ 1,648,653</u>	<u>\$ 325,625</u>	<u>\$ 279,661</u>	<u>\$ 1,694,617</u>	<u>\$ 337,130</u>
Business-type activities:					
Notes	\$ 940,043	\$ 136,999	\$ 225,701	\$ 851,341	\$ 74,500
Revenue bonds	3,551,309	2,175,000	2,403,012	3,323,297	370,167
Compensated absences	20,238	1,125	2,558	18,805	-
	<u>\$ 4,511,590</u>	<u>\$ 2,313,124</u>	<u>\$ 2,631,271</u>	<u>\$ 4,193,443</u>	<u>\$ 444,667</u>

The annual requirements to amortize all long-term debt and obligations outstanding, excluding compensated absences, as of September 30, 2015, 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
2016	179,400	24,281	95,000	41,518	370,167	86,484	163,168	6,666	807,735	158,949
2017	170,438	19,616	100,000	37,600	224,802	75,820	103,077	2,800	598,317	135,836
2018	146,856	15,264	105,000	33,600	229,439	72,107	34,382	448	515,677	121,419
2019	147,458	11,161	110,000	29,400	239,074	68,103	-	-	496,532	108,664
2020	56,261	7,940	115,000	25,000	243,710	62,952	-	-	414,971	95,892
2021 - 2025	93,430	28,075	510,000	52,000	760,743	222,902	-	-	1,364,173	302,977
2026 - 2030	107,148	12,975	-	-	690,362	140,315	-	-	797,510	153,290
2031 - 2035	30,718	2,766	-	-	565,000	32,407	-	-	595,718	35,173
	<u>\$ 931,709</u>	<u>\$ 122,078</u>	<u>\$ 1,035,000</u>	<u>\$ 219,118</u>	<u>\$ 3,323,297</u>	<u>\$ 761,090</u>	<u>\$ 300,627</u>	<u>\$ 9,914</u>	<u>\$ 5,590,633</u>	<u>\$ 1,112,200</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, 2015, is as follows (Electric Fund amounts are shown at 9/30/15 below and 6/30/15 on the face of the financials):

Receivable Fund	Payable Fund	Amount
Electric Fund	General Fund	\$ 23,622
Street Pavement	General Fund	172
General Fund	Water/Sewer Fund	439,505
General Fund	Fiduciary Funds	78,948
Standard Industrial Fund	Street Pavement Fund/General Fund	36,000
Standard Industrial Fund	General Fund	101,500
Street Paving 2009 Fund	General Fund	15,979
Urban Development Fund	Standard Industrial Fund	27,732
Urban Development Fund	Police Narcotics Fund	600
Electric Fund	Water/Sewer Fund	30,890
Total		<u>\$ 754,948</u>

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
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The following is a summary of transfers during the year ended September 30, 2014:

Transfers From	Transfers To	Amount
Electric Fund	General Fund	\$ 700,000
Water and Sewer Fund	General Fund	289,505
Total		<u>\$ 989,505</u>

The purpose of the \$989,505 transfer between the proprietary fund and the general fund is to make in lieu of tax transfers between the funds. There were transfers from the 1998 Public Improvement Fund (\$12,431), 2004 Street Paving Fund (\$8,950), Cemetery Maintenance Fund (\$17,731), and Holley Building Maintenance Fund (\$4,859) to the General Fund in the amount of \$43,971. These were all to consolidate the individual funds with the general fund.

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 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.

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
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C. Employee Retirement Systems and Pension Plans

June 30, 2014 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 administered by its 10-member Board of Trustees, which includes the state treasurer, one gubernatorial appointee who must be a member of PERS, two state employees, two PERS retirees, one representative of public schools and community/junior colleges, one representative of the state's institutions of higher learning, one representative of municipalities, and one representative of counties. Under the guidance of a consulting actuary, the PERS Board monitors System funding to ensure the financial soundness of PERS and compliance with the guidelines established by the Governmental Accounting Standards Board. The Board also appoints the executive director to serve as the agency's chief executive officer.. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information can be obtained by writing to PER System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1 006, or by calling (601) 359-3589 or 1-800-444-PERS.

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 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.

Retirement Tier	Hire Date	Vesting Period	Retirement Eligibility	Service Retirement Formula	Partial Lump Sum Option	Non-Duty Related Disability Retirement
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

CITY OF ABERDEEN, MISSISSIPPI
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September 30, 2015

<u>Retirement Tier</u>	<u>Hire Date</u>	<u>Vesting Period</u>	<u>Retirement Eligibility</u>	<u>Service Retirement Formula</u>	<u>Partial Lump Sum Option</u>	<u>Non-Duty Related Disability Retirement</u>
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
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).

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

The following table summarizes the membership of the system as of June 30, 2014 (Measurement Date):

	<u>Plan Total</u>
Retirees and survivors	93,504
Terminated vested employees	18,064
Inactive nonvested members	114,489
Active members	<u>161,360</u>
Total	<u>387,417</u>

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, 2015, was \$73,826.

Net Pension Liability: The City's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014:

Net Pension Liability	
Total Pension Liability	
as of June 30, 2013 (a)	\$ 1,097,229
Entry Age Normal Cost for	
July 1, 2013 - June 30, 2014 (b)	\$ 40,451
Actual Benefit Payments and Refunds for	
July 1, 2013 - June 30, 2014 (c)	\$ 175,907
Total Pension Liability	
as of June 30, 2014	
(a) + (b) - (c)	\$ 961,773

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.25% - 19.50% including inflation
Investment rate of return*	8% net of pension plan investment expense, including inflation

* Net of pension plan expense

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

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:

Target Asset Allocation

	Target Allocation	Long-Term Expected Rate of Return*
U.S. Broad	34.00%	5.20%
International Equity	19.00%	5.00%
Emerging Markets Equity	8.00%	5.45%
Fixed Income	20.00%	25.00%
Real Assets	10.00%	4.00%
Private Equity	8.00%	6.15%
Cash	<u>1.00%</u>	-0.50%
Total	100.00%	

Discount Rate: The discount rate used to measure the total pension liability was 8.00 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:

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2013	\$ 2,814,580	\$ 1,717,351	\$ 1,097,229
Changes for the year:			
Service cost	53,989	-	53,989
Interest	218,130	-	218,130
Differences between expected and actual experience	20,388	-	20,388
Contributions - employer	-	76,216	(76,216)
Contributions - employee	-	43,516	(43,516)
Net investment income	-	309,288	(309,288)
Benefit payments, including refunds of employee contributions	(175,907)	(175,907)	-
Administrative expense	-	(1,057)	1,057
Transfers among employers	-	-	-
Net changes	116,600	252,056	(135,456)
Balances at 6/30/2014	\$ 2,931,180	\$ 1,969,407	\$ 961,773

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 8%, 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 (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00 %)	Current Rate (8.00 %)	1% Increase (9.00 %)
Utility's net pension liability	\$ 1,310,404	\$ 961,773	\$ 669,915

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, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the PERS prepared as of June 30, 2014. The auditor's report dated June 30, 2015 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.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions: For the year ended June 30, 2015, the Department recognized pension expense of \$152,053. At June 30, 2015, the Utility 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
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,994	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(139,333)
Employer contributions subsequent to the measurement date	73,826	-
Total	<u>\$ 88,820</u>	<u>\$ (139,333)</u>

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:		
2016	\$	27,867
2017		27,867
2018		27,867
2019		27,867
2020		27,865
Thereafter	\$	-

June 30, 2015 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. PERS is administered by its 10-member Board of Trustees, which includes the state treasurer, one gubernatorial appointee who must be a member of PERS, two state employees, two PERS retirees, one representative of public schools and community/junior colleges, one representative of the state's institutions of higher learning, one representative of municipalities, and one representative of counties. Under the guidance of a consulting actuary, the PERS Board monitors System funding to ensure the financial soundness of PERS and compliance with the guidelines established by the Governmental Accounting Standards Board. The Board also appoints the executive director to serve as the agency's chief executive officer.. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information can be obtained by writing to PER System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1 006, or by calling (601) 359-3589 or 1-800-444-PERS.

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 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.

CITY OF ABERDEEN, MISSISSIPPI
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<u>Retirement Tier</u>	<u>Hire Date</u>	<u>Vesting Period</u>	<u>Retirement Eligibility</u>	<u>Service Retirement Formula</u>	<u>Partial Lump Sum Option</u>	<u>Non-Duty Related Disability Retirement</u>
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

<u>Retirement Tier</u>	<u>Hire Date</u>	<u>Vesting Period</u>	<u>Retirement Eligibility</u>	<u>Service Retirement Formula</u>	<u>Partial Lump Sum Option</u>	<u>Non-Duty Related Disability Retirement</u>
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
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

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

(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, 2015 (June 30, 2015 Measurement Date:

Membership Data

	<u>Plan Total</u>
Retirees and survivors	96,338
Terminated vested employees	19,005
Inactive nonvested members	118,021
Active members	<u>157,215</u>
Total	<u>390,579</u>

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, 2015, was \$407,913.

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

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

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, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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:

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

Target Asset Allocation

	Target Allocation	Long-Term Expected Rate of Return*
U.S. Broad	34.00%	5.20%
International Equity	19.00%	5.00%
Emerging Markets Equit	8.00%	5.45%
Fixed Income	20.00%	25.00%
Real Assets	10.00%	4.00%
Private Equity	8.00%	6.15%
Cash	<u>1.00%</u>	-0.50%
Total	100.00%	

Discount Rate: The discount rate used to measure the total pension liability was 8.00 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)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2014	\$ 12,441,461	\$ 8,361,618	\$ 4,079,843
Changes for the year:			
Service cost	226,417	-	226,417
Interest	963,875	-	963,875
Differences between expected and actual experience	109,356	-	109,356
Change in Assumptions	612,148	-	612,148
Contributions - employer	-	334,933	(334,933)
Contributions - employee	-	187,523	(187,523)
Net investment income	-	278,192	(278,192)
Benefit payments, including refunds of employee contributions	(786,041)	(786,041)	-
Administrative expense	-	(4,545)	4,545
Other changes	-	(167)	167
Net changes	<u>1,125,755</u>	<u>9,894</u>	<u>1,115,860</u>
Balances at 6/30/2015	<u>\$ 13,567,216</u>	<u>\$ 8,371,513</u>	<u>\$ 5,195,703</u>

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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	\$ 6,848,413	\$ 5,195,703	\$ 3,824,264

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, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the PERS prepared as of June 30, 2015. The auditor's report dated September 30, 2015 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.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions: For the year ended June 30, 2015, the City recognized pension expense of \$494,281 (\$440,729 – City and \$53,552 – Water/Sewer). At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 120,711	\$ -
Changes of assumptions	447,592	-
Net difference between projected and actual earnings on pension plan investments	-	(139,549)
Employer contributions subsequent to the measurement date	76,198	-
Total	\$ 644,501	\$ (139,549)

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:	
2017	\$ 144,997
2018	139,960
2019	67,795
2020	76,001
Thereafter	\$ -

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

D. Prior Period Adjustment

In the current year, the City made the following prior period adjustments and restatements:

- In 2015, the Electric Department discovered an error in inventory that was incorrectly posted to plant in a prior period. This error requires retroactive recognition of plant in the period incurred resulting in an adjustment of \$ 5,167. Therefore, a restatement to the 2015 financial statements was required. The result of this was a restatement of the 2015 financial statements in the amount of \$55,167. The restatement represents an increase in assets, and an increase to the 2015 net position.
- In 2015, the Electric Department discovered a tax accrual account that had not been needed or adjusted in several years. This error requires retroactive recognition of tax expense in the period incurred resulting in an adjustment of \$173,209. Therefore, a restatement to the 2015 financial statements was required. The result of this was a restatement of the 2015 financial statements in the amount of \$173,209. The restatement represents a decrease in liabilities, and an increase to the 2015 net position.
- As of July 1, 2014 a restatement of beginning net position was made for net pension liability and deferred outflows of resources for contributions that were made subsequent to the previous year's measurement date due to the City implementation GASB Statement No. 68 and 71, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The implementation of GASB Statement No. 68 and 71 resulted in the City restatement net position by \$3,809,756 in the Governmental Activities and \$1,483,927 in the Business-type activities (specifically, the Water and Sewer Fund) with a measurement date of June 30, 2014 for the Electric Department and June 30, 2015 for the rest of the City.
- A prior period adjustment was made in the amount of \$15,200 in the governmental activities to record a capital asset that was purchased in fiscal year 2014, but was not recorded on the capital asset schedule.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF ABERDEEN, MISSISSIPPI ELECTRIC DEPARTMENT
SCHEDULE OF CHANGES IN NET POSITION LIABILITY (ASSET) AND RELATED
RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE RETIREMENT
SYSTEM OF MISSISSIPPI**

June 30, 2015

	(In Thousands)
Total pension liability	2014
Service cost	\$ 53,989
Interest	218,130
Changes in benefit terms	-
Differences between actual & expected experience	20,388
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(175,907)
Net change in total pension liability	116,600
Total pension liability - beginning	2,814,580
Total pension liability - ending (a)	<u>2,931,180</u>
 Plan fiduciary net position	
Contributions - employer	76,216
Contributions - employee	43,516
Net investment income	309,288
Benefit payments, including refunds of employee contributions	(175,907)
Administrative expense	(1,057)
Net change in plan fiduciary net position - beginning	252,056
Plan fiduciary net position - beginning	1,717,351
Plan fiduciary net position - ending (b)	<u>1,969,407</u>
 Net pension liability (asset) - ending (a) - (b)	961,773
 Plan fiduciary net position as a percentage of total pension liability	48.84%
 Covered - employee payroll	462,039
 Net pension liability (asset) as a percentage of covered - employee payroll	48.04%

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 ELECTRIC DEPARTMENT
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE RETIREMENT SYSTEM OF MISSISSIPPI
For the Year Ended September 30, 2015

	<u>2014</u>
Actuarially determined contribution	\$ 65,098
Contributions in relation to the actuarially determined contribution	<u>76,212</u>
Contribution deficiency (excess)	\$ (11,114)
Covered-employee payroll	\$ 462,039
Contributions as a percentage of covered - employee payroll	16.49%

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.

CITY OF ABERDEEN, MISSISSIPPI ELECTRIC DEPARTMENT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEE RETIREMENT SYSTEM OF MISSISSIPPI
For the Year Ended September 30, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	Five year smoothed market
Inflation	3.50%
Salary increases	4.50 - 20.00%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

See independent auditor's report.

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF CHANGES IN NET POSITION LIABILITY (ASSET) AND RELATED
RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE RETIREMENT
SYSTEM OF MISSISSIPPI

September 30, 2015

Total pension liability	2015
Service cost	\$ 226,417
Interest	963,875
Changes in benefit terms	-
Differences between actual & expected experience	109,356
Change of assumptions	612,147
Benefit payments, including refunds of employee contributions	(786,041)
Net change in total pension liability	1,125,754
Total pension liability - beginning	12,441,461
Total pension liability - ending (a)	<u>13,567,215</u>
 Plan fiduciary net position	
Contributions - employer	334,933
Contributions - employee	187,523
Net investment income	278,192
Benefit payments, including refunds of employee contributions	(786,041)
Administrative expense	(4,545)
Other changes	(168)
Net change in plan fiduciary net position - beginning	9,894
Plan fiduciary net position - beginning	8,361,618
Plan fiduciary net position - ending (b)	<u>8,371,512</u>
 Net pension liability (asset) - ending (a) - (b)	5,195,703
 Plan fiduciary net position as a percentage of total pension liability	62.06%
 Covered - employee payroll	1,984,712
 Net pension liability (asset) as a percentage of covered - employee payroll	38.20%

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, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	32.2 years
Asset valuation method	Five year smoothed market
Inflation	3.50%
Salary increases	4.25 - 19.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

See independent auditor's report.

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, 2015

	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Revenues:				
Property taxes	1,826,861	1,826,861	1,913,831	86,970
Intergovernmental	1,446,736	1,459,236	1,322,717	(136,519)
Charges for services	618,100	618,100	549,000	(69,100)
Licenses and permits	10,100	10,100	4,517	(5,583)
Rents	19,400	19,400	16,934	(2,466)
Fines	119,900	119,900	68,530	(51,370)
Grant proceeds	12,500	12,500	8,130	(4,370)
Interest	200	200	195	(5)
Other	89,935	109,335	94,543	(14,792)
Total revenues	<u>4,143,732</u>	<u>4,175,632</u>	<u>3,978,397</u>	<u>(197,235)</u>
Expenditures:				
General government	1,795,258	1,795,258	1,743,479	(51,779)
Public safety	1,739,708	1,739,708	1,502,223	(237,485)
Public works	1,257,196	1,257,196	1,368,011	110,815
Health, culture, and recreation	257,361	257,361	213,032	(44,329)
Debt service:				
Principal	180,678	180,678	180,675	(3)
Interest	-	-	-	-
Total expenditures	<u>5,230,201</u>	<u>5,230,201</u>	<u>5,007,420</u>	<u>(222,781)</u>
Revenues over (under) expenditures	<u>(1,086,469)</u>	<u>(1,054,569)</u>	<u>(1,029,023)</u>	<u>25,546</u>

See independent auditor's report.

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, 2015

	Budgeted Amounts			Variance- Over (Under)
	Original	Final	Actual	
Other financing sources (uses):				
In lieu of tax payments	989,505	989,505	989,505	-
Transfer from other funds	7,000	7,000	43,971	36,971
Proceed from loans	-	-	217,405	217,405
Total other financing sources (uses)	<u>996,505</u>	<u>996,505</u>	<u>1,250,881</u>	<u>254,376</u>
Net changes in fund balance	<u>\$ (89,964)</u>	<u>\$ (58,064)</u>	221,858	<u>\$ 279,922</u>
Fund balance - beginning			<u>231,542</u>	
Fund balance - ending			<u>\$ 453,400</u>	
Reconciliation to fund financial statements:				
Revenues over (under) expenditures - budgetary			\$ 221,858	
Revenues and expenditures not included in budgetary statements:				
Holley building maintenance - interest			1	
S&J escrow fund - interest			31	
Street pavement fund- interst			10	
Holley building maintenance - transfers in			108,220	
Holley building maintenance - transfers out			(4,859)	
Net change in fund balance - (page 16)			<u>\$ 325,261</u>	
Fund balance - budgetary			\$ 453,400	
Assets related to Prairie Construction fund			10,641	
Assets related to S&J escrow fund			61,223	
Assets related to street pavement fund			72,980	
Assets related to HOME Grant fund			29	
Assets related to Rural Development clearing			13	
Liabilities related to street pavement fund			(36,000)	
Fund balance - (page 14)			<u>\$ 562,286</u>	

See independent auditor's report.

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF WATER AND SEWER REVENUES AND EXPENSES
For the Fiscal Year Ended September 30, 2015

	Water	Sewer	Total
Operating revenues			
Charges for sales and services	\$ 1,832,775	\$ 791,388	\$ 2,624,163
Other operating revenues	75,449	33,557	109,006
Total operating revenues	<u>1,908,224</u>	<u>824,945</u>	<u>2,733,169</u>
Operating expenses			
Operations	447,176	201,614	648,790
Maintenance	506,956	223,841	730,797
Depreciation	457,128	205,376	662,504
Total operating expenses	<u>1,411,260</u>	<u>630,831</u>	<u>2,042,091</u>
Operating income (loss)	<u>496,964</u>	<u>194,114</u>	<u>691,078</u>
Nonoperating income (expense)			
Interest earned	1,585	712	2,297
Uncollectible accounts	(17,171)	(7,715)	(24,886)
Loss on disposal of assets	(14,278)	-	(14,278)
Interest expense	(65,670)	(29,252)	(94,922)
Debt issuance costs	(53,561)	(24,064)	(77,625)
Total nonoperating income (expense)	<u>(149,095)</u>	<u>(60,319)</u>	<u>(209,414)</u>
Change in net position before transfers and capital contributions	347,869	133,795	481,664
Transfers and capital contributions			
In lieu of tax transfer	(199,758)	(89,747)	(289,505)
Tap fees	4,033	172	4,205
Total transfers and capital contributions	<u>(195,725)</u>	<u>(89,575)</u>	<u>(285,300)</u>
Change in net position	<u>\$ 152,144</u>	<u>\$ 44,220</u>	<u>\$ 196,364</u>

See independent auditor's report.

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended September 30, 2015

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>CFDA Number</u>	<u>Project or Grant Number</u>	<u>Expenditures</u>
Depart of the Interior National Park Service			
Passthrough Mississippi Department of Archives and History			
Historic Preservation Fund Grant-In Aid	15.904	unknown	\$ 2,118
Department of Agriculture			
Rural Development Community Facilities	10.766	unknown	24,700
Department of Transportation			
Pass through Mississippi Office of Highway Safety			
Alcohol Impaired Driving Enforcement	20.607	15-ST-238-1	<u>3,240</u>
Total Expenditures of Federal Awards			<u>\$ 30,058</u>

See the independent auditor's report.

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
Year Ended September 30, 2015

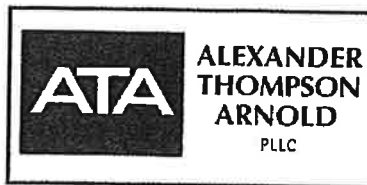
<u>Name</u>	<u>Position</u>	<u>Insurance Company</u>	<u>Bond Amount</u>
Cecil Belle	Mayor	Old Republic	100,000
Alonzo Sykes	Councilmember	Old Republic	100,000
Sammy Burroughs	Councilmember	Old Republic	100,000
Wilchie Clay	Councilmember	Old Republic	100,000
Joel Irvin	Councilmember	Old Republic	100,000
John Allen	Councilmember	Old Republic	100,000
Henry Randle	Police Chief	Old Republic	100,000
Jackie Benson	City Clerk	Old Republic	50,000
Karen Crump	Comptroller	Old Republic	50,000
Tamika Cunningham	City Accountant	CNA Surety	25,000
Dispatchers Bond	Per Dispatcher	CNA Surety	10,000

See independent auditor's report

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:

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AICPA Employee Benefit Plan Audit Quality Center
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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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 8, 2016.

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.

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. 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.

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

In addition, we noted a matter involving the internal control and its operation that we reported to management of the City in a separate letter dated April 8, 2016.

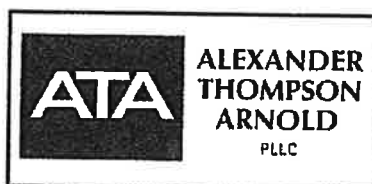
Purpose of this Report

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.

Certified Public Accountant
Jackson, Tennessee
April 8, 2016

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AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants



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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 basic financial statements of the City of Aberdeen, Mississippi (the City) as of and for the year ended September 30, 2015, and have issued our report thereon dated April 8, 2016. 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.

Jackson, Tennessee
April 8, 2016

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
September 30, 2015

FINANCIAL STATEMENT FINDINGS

Current Year Findings:

None reported

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
September 30, 2015

Prior Year Findings:

- 11-01 Transfers Between City and Individual Utility Funds are Not Being Recorded Properly or Reconciled (Material Weakness) – (Corrected)**
- 11-02 Failure to Reconcile Balance Sheet Accounts (Material Weakness) (Corrected)**