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CITY OF ABERDEEN, MISSISSIPPI
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR
ENDED SEPTEMBER 30, 2016

CITY OF ABERDEEN, MISSISSIPPI

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INTRODUCTORY SECTION

**CITY OF ABERDEEN, MISSISSIPPI
DIRECTORY**

September 30, 2016

ELECTED OFFICIALS

Maurice Howard, Mayor
Alonzo Sykes, Alderman
Lady B. Garth, Alderman
David Ewing, Alderman
Brunson Odom, Alderman
Jim Buffington, Alderman

COUNSEL

Robert Faulks
Aberdeen, Mississippi

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION



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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2017 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.

A handwritten signature in black ink that reads "Alexander Thompson Arnold, PLLC". The signature is written in a cursive, flowing style.

Jackson, Tennessee
May 9, 2017

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, 2016.

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 \$17.34 million (net position). Of this amount, (\$839) thousand represents unrestricted net position.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$1.30 million. This was an increase of \$31 thousand, or 2.41%, from the prior year's fund balances. Of the ending fund balances, \$312 thousand was unassigned and available for current use by the City. There were also assigned balances totaling \$109 thousand and a nonspendable balance of \$38 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 \$821 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 ten governmental funds. Information is presented separately in the Balance Sheet – Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for all funds which are considered to be major funds. The major governmental fund of the City is the general fund.

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

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

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

Fiduciary funds

Fiduciary funds provide information about the financial relationships in which the City acts solely as a trustee or agency for the benefit of other political subdivisions or agencies, including City employees, therefore, these statements are excluded from the entity-wide or government-wide statement of net position and statement of activities. The fiduciary fund financial statements can be found on pages 23 to 24 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 to 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 \$17.34 million at the close of the most recent fiscal year. The largest portion of the City's net position (94.83%) 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 \$1.73 million at the close of the fiscal year. Of the remaining balances, \$16.45 million is net investment in capital asset and (\$839) thousand represents unrestricted net position.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 3,920,884	\$ 3,255,464	\$ 8,843,399	\$ 8,089,911	\$12,764,283	\$11,345,375
Capital assets	5,871,477	6,094,269	15,703,143	16,521,721	21,574,620	22,615,990
Total assets	9,792,361	9,349,733	24,546,542	24,611,632	34,338,903	33,961,365
Deferred outflows of resources	1,142,676	575,251	284,431	158,070	1,427,107	733,321
Long-term liabilities	7,157,181	6,330,814	5,462,349	5,598,489	12,619,530	11,929,303
Other liabilities	461,408	(158,417)	3,252,962	3,635,778	3,714,370	3,477,361
Total liabilities	7,618,589	6,172,397	8,715,311	9,234,267	16,333,900	15,406,664
Deferred inflows of resources	2,054,770	2,144,926	32,720	154,452	2,087,490	2,299,378
Net position:						
Net investment in capital assets	4,469,151	4,444,847	11,979,436	12,466,728	16,448,587	16,911,575
Restricted	842,972	709,545	891,690	906,597	1,734,662	1,616,142
Unrestricted	(4,050,445)	(3,546,731)	3,211,816	2,007,658	(838,629)	(1,539,073)
Total net position	\$ 1,261,678	\$ 1,607,661	\$16,082,942	\$15,380,983	\$17,344,620	\$16,988,644

Statement of Activities - Expenses in the governmental activities exceeded revenues by \$5.14 million. In the business-type activities revenues exceeded expenses by \$1.85 million, which combined with general business-type revenues and transfers out resulted in a \$702 thousand change in net position. General government revenues of \$3.63 million and transfers from the utility fund of \$1.16 million helped net position to only decrease \$346 thousand for the governmental activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 771,662	\$ 756,800	\$17,224,051	\$17,485,583	\$17,995,713	\$18,242,383
Operating grants and contributions	20,528	11,730	14,588	4,205	35,116	15,935
Capital grants and contributions	637,549	24,700	-	-	637,549	24,700
General revenues:						
Property taxes	2,249,499	2,111,102	-	-	2,249,499	2,111,102
Intergovernmental	451,891	496,707	-	-	451,891	496,707
Sales tax	912,232	882,751			912,232	882,751
Other sources	14,251	51,818	-	(24,886)	14,251	26,932
Unrestricted interest	590	557	14,169	13,857	14,759	14,414
Total revenues	<u>\$ 5,058,202</u>	<u>\$ 4,336,165</u>	<u>\$17,252,808</u>	<u>\$17,478,759</u>	<u>\$22,311,010</u>	<u>\$21,814,924</u>
Expenses:						
General government	\$ 2,115,942	\$ 2,414,363	\$ -	\$ -	\$ 2,115,942	\$ 2,414,363
Public safety	1,913,396	1,264,965	-	-	1,913,396	1,264,965
Public works	1,543,384	1,136,072	-	-	1,543,384	1,136,072
Health, culture, welfare, and recreation	850,586	345,202	-	-	850,586	345,202
Economic development	82,664	105,961	-	-	82,664	105,961
Capital outlay	17,955	6,887	-	-	17,955	6,887
Debt service	42,069	226,350	-	-	42,069	226,350
Urban development	-	-	33,276	-	33,276	-
Electric	-	-	13,494,077	13,752,790	13,494,077	13,752,790
Water and Sewer	-	-	1,861,685	2,228,916	1,861,685	2,228,916
Total expenses	<u>6,565,996</u>	<u>5,499,800</u>	<u>15,389,038</u>	<u>15,981,706</u>	<u>21,955,034</u>	<u>21,481,506</u>
Excess/(deficiency) of revenues over/under expenses	(1,507,794)	(1,163,635)	1,863,770	1,497,053	355,976	333,418
Transfers	1,161,811	989,505	(1,161,811)	(989,505)	-	-
Increase in net position	(345,983)	(174,130)	701,959	507,548	355,976	333,418
Net position - beginning	<u>1,607,661</u>	<u>5,576,347</u>	<u>15,380,983</u>	<u>16,239,320</u>	<u>16,988,644</u>	<u>21,815,667</u>
Restatement due to GASB Statement No. 68 and 71	-	(3,809,756)	-	(1,483,927)	-	(5,293,683)
Prior period adjustment	-	15,200	-	118,042	-	133,242
Net position - beginning - restated	<u>1,607,661</u>	<u>1,781,791</u>	<u>15,380,983</u>	<u>14,873,435</u>	<u>16,988,644</u>	<u>16,655,226</u>
Net position - ending	<u>\$ 1,261,678</u>	<u>\$ 1,607,661</u>	<u>\$16,082,942</u>	<u>\$15,380,983</u>	<u>\$17,344,620</u>	<u>\$16,988,644</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 80.35% of governmental fund revenues excluding debt proceeds and other financing sources. Accordingly, this discussion will focus on the general fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

General fund balance was \$457 thousand at the end of the current fiscal year. At year end, unassigned fund balance has a balance of \$309 thousand, \$109 thousand is assigned and \$38 is nonspendable.

Proprietary funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Net position of the proprietary funds was \$16.08 million. Of the balance, \$11.98 million is net investment in capital assets, \$892 thousand is restricted for debt service and \$3.21 million is unrestricted. There was an overall increase in net position for proprietary funds of \$702 thousand during the current year.

Budgetary highlights - Actual revenues and other financing sources were under the final budgeted amounts by \$33 thousand in the general fund. Property tax revenue was over in the amount of \$124 thousand. Expenditures were \$77 thousand over budget in the general fund. General government expenses were over budget by \$78 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2016, the City had invested \$21.57 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 \$5.01 million. Of this amount, \$2.48 million comprises debt backed by the full faith and credit of the City. The remainder, \$2.53 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, 2016 is 1.5%, up from 0.0% at September 30, 2015. The unemployment rate for Monroe County is currently 6.6% down from 7.2% in 2015. The state's average unemployment rate is currently 5.7% down from 6.6% in 2015. The national average unemployment rate is currently 4.9%. All of the rates are from labor statistics released in September 2016, respectively.

All of these factors were considered in preparing the City's budget for the 2017 fiscal year. There are currently capital projects planned and ongoing for fiscal year 2017.

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, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Cash on hand	\$ 100	\$ -	\$ 100
Cash and cash equivalents	905,298	4,810,079	5,715,377
Receivables:			
Taxes (net of allowances)	2,186,256	-	2,186,256
Accounts - other (net of allowances)	680,110	1,569,211	2,249,321
Accounts - court fines (net of allowances)	107,296	-	107,296
Grants	3,400	-	3,400
Rent receivable	-	60,573	60,573
Other receivables	-	12,930	12,930
Interest	-	647	647
Prepaid items	38,424	28,825	67,249
Inventories	-	316,401	316,401
Restricted assets:			
Cash and cash equivalents	-	909,895	909,895
Investments	-	773,931	773,931
Notes receivable	-	360,907	360,907
Capital assets not being depreciated:			
Land	331,364	184,795	516,159
Plant in service	-	15,216	15,216
Construction in progress	-	103,507	103,507
Capital assets net of accumulated depreciation:			
Electric plant	-	3,394,442	3,394,442
General plant	-	620,541	620,541
Water distribution system	-	8,061,634	8,061,634
Wastewater treatment	-	3,150,899	3,150,899
Buildings and improvements	1,373,285	4,552	1,377,837
Infrastructure	3,673,147	-	3,673,147
Other capital assets	493,681	167,557	661,238
Total assets	\$ 9,792,361	\$ 24,546,542	\$ 34,338,903
Deferred outflows of resources			
Differences between expected and actual experience	157,752	42,419	200,171
Changes of assumptions	266,621	126,249	392,870
Differences between projected and actual earnings	383,144	37,361	420,505
Pension contributions subsequent to the measurement date	335,159	78,402	413,561
Total deferred outflows of resources	\$ 1,142,676	\$ 284,431	\$ 1,427,107

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

CITY OF ABERDEEN, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2016

	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable and other accrued expenses	\$ 667,353	\$ 2,140,292	\$ 2,807,645
Accrued payroll expenses	96,151	14,389	110,540
Internal balances	(307,674)	378,256	70,582
Accrued interest	5,578	18,205	23,783
Customer deposits	-	623,162	623,162
Advances from Home Insulation Program	-	72,253	72,253
Noncurrent liabilities:			
Net pension liability	5,655,680	1,715,209	7,370,889
Compensated absences	50,568	23,433	74,001
Premium on bonds payable	-	6,405	6,405
Due within one year	261,827	368,078	629,905
Due in more than one year	1,189,106	3,355,629	4,544,735
Total liabilities	7,618,589	8,715,311	16,333,900
Deferred inflows of resources			
Pension - difference between expected and actual earnings	-	31,255	31,255
Pension - change of assumptions	15,029	1,465	16,494
Property taxes - deferred	2,039,741	-	2,039,741
Total deferred inflows of resources	2,054,770	32,720	2,087,490
Net position			
Net investment in capital assets	4,420,544	11,979,436	16,399,980
Restricted for:			
Debt service	18,002	891,690	909,692
Municipal fire	253,910	-	253,910
Tourism	25,310	-	25,310
Capital projects	50,212	-	50,212
Industrial purposes	144,803	-	144,803
Port maintenance	350,735	-	350,735
Unrestricted	(4,001,838)	3,211,816	(790,022)
Total net position	\$ 1,261,678	\$ 16,082,942	\$ 17,344,620

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, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 2,115,942	\$ 32,784	\$ -	\$ -	\$ (2,083,158)	\$ -	\$ (2,083,158)
Public safety	1,913,396	112,165	15,282	-	(1,785,949)	-	(1,785,949)
Public works	1,543,384	536,798	-	-	(1,006,586)	-	(1,006,586)
Health, culture, welfare, and recreation	850,586	85,346	5,246	625,149	(134,845)	-	(134,845)
Economic development	82,664	4,569	-	12,400	(65,695)	-	(65,695)
Capital outlay	17,955	-	-	-	(17,955)	-	(17,955)
Interest on long-term debt	42,069	-	-	-	(42,069)	-	(42,069)
Total governmental activities	<u>6,565,996</u>	<u>771,662</u>	<u>20,528</u>	<u>637,549</u>	<u>(5,136,257)</u>	<u>-</u>	<u>(5,136,257)</u>
Business-type activities:							
Urban development	33,276	37,465	-	-	-	4,189	4,189
Electric	13,494,077	14,550,926	-	-	-	1,056,849	1,056,849
Water and sewer	1,841,401	2,615,376	14,588	-	-	788,563	788,563
Total business-type activities	<u>15,368,754</u>	<u>17,203,767</u>	<u>14,588</u>	<u>-</u>	<u>-</u>	<u>1,849,601</u>	<u>1,849,601</u>
Total primary government	<u>\$ 21,934,750</u>	<u>\$ 17,975,429</u>	<u>\$ 35,116</u>	<u>\$ 637,549</u>	<u>(5,136,257)</u>	<u>1,849,601</u>	<u>(3,286,656)</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, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
General revenues:							
	Property taxes - levied for general government including penalties				\$ 2,249,499	\$ -	\$ 2,249,499
	Intergovernmental				451,891	-	451,891
	Sales tax				912,232	-	912,232
	Other sources				14,251	-	14,251
	Unrestricted interest income				590	14,169	14,759
	Total general revenues				3,628,463	14,169	3,642,632
Transfers							
	In lieu of taxes in (out)				1,161,811	(1,161,811)	-
	Total transfers				1,161,811	(1,161,811)	-
	Total general revenues and transfers				4,790,274	(1,147,642)	3,642,632
	Changes in net position				(345,983)	701,959	355,976
	Net position - beginning				1,607,661	15,380,983	16,988,644
	Net position - ending				\$ 1,261,678	\$ 16,082,942	\$ 17,344,620

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

CITY OF ABERDEEN, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2016

	Common City/General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash on hand	\$ 100	\$ -	\$ 100
Cash and cash equivalents	382,452	522,846	905,298
Receivables:			
Taxes (net of allowance for uncollectibles \$48,358)	2,016,036	170,220	2,186,256
Accounts	44,645	635,465	680,110
Grants	3,400	-	3,400
Court fines (net of allowance for uncollectibles \$965,661)	107,296	-	107,296
Prepaid items	38,424	-	38,424
Due from other funds	358,658	153,479	512,137
Total assets	<u>\$ 2,951,011</u>	<u>\$ 1,482,010</u>	<u>\$ 4,433,021</u>
Liabilities			
Accounts payable and other accrued expenses	\$ 229,218	\$ 438,135	\$ 667,353
Accrued payroll expenses	96,151	-	96,151
Due to other funds	176,731	27,732	204,463
Total liabilities	<u>502,100</u>	<u>465,867</u>	<u>967,967</u>
Deferred inflows of resources			
Court fines - unavailable	107,296	-	107,296
Property taxes - unavailable	1,885,105	170,220	2,055,325
Total deferred inflows of resources	<u>1,992,401</u>	<u>170,220</u>	<u>2,162,621</u>
Fund balances:			
Nonspendable	38,424	-	38,424
Restricted for:			
Municipal fire	-	253,910	253,910
Tourism	-	25,310	25,310
Debt service	-	18,002	18,002
Capital projects	-	50,212	50,212
Industrial purposes	-	144,803	144,803
Port maintenance	-	350,735	350,735
Assigned for:			
Industrial purposes	61,254	-	61,254
Street paving	47,646	-	47,646
Unassigned	309,186	2,951	312,137
Total fund balances	<u>456,510</u>	<u>845,923</u>	<u>1,302,433</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,951,011</u>	<u>\$ 1,482,010</u>	<u>\$ 4,433,021</u>

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, 2016

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

Fund balance - total governmental funds (Page 14)	\$ 1,302,433
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds	5,871,477
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds	
Property taxes and court fines	122,880
Net pension liability is not due in the current period and, therefore, is not reported in the funds.	(5,655,680)
Deferred outflows of resources - pensions are not available to pay current expenditures and, therefore, are unavailable in the funds.	1,142,676
Deferred inflows of resources - pensions are not due in the current period and, therefore, are unavailable in the funds.	(15,029)
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>(1,501,501)</u>
Net position of governmental activities (Page 11)	<u><u>\$ 1,261,678</u></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, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 2,050,993	\$ 163,259	\$ 2,214,252
Intergovernmental	1,305,926	104,284	1,410,210
Charges for services	540,758	-	540,758
Licenses and permits	10,677	-	10,677
Rents	22,107	66,355	88,462
Fines	78,185	38,242	116,427
Grant proceeds	22,073	625,149	647,222
Interest	272	317	589
Other	51,328	1,028	52,356
Total revenues	<u>4,082,319</u>	<u>998,634</u>	<u>5,080,953</u>
Expenditures:			
Current:			
General government	1,749,299	-	1,749,299
Public safety	1,699,640	17,718	1,717,358
Public works	1,439,609	1,940	1,441,549
Health, culture, and recreation	246,254	605,450	851,704
Economic development	-	82,664	82,664
Capital outlay	-	17,955	17,955
Debt service:			
Principal	205,326	95,000	300,326
Interest	9,778	41,519	51,297
Total expenditures	<u>5,349,906</u>	<u>862,246</u>	<u>6,212,152</u>
Excess (deficiency) of revenues over expenditures	<u>(1,267,587)</u>	<u>136,388</u>	<u>(1,131,199)</u>
Other financing sources (uses):			
Transfer-in lieu of tax payments	<u>1,161,811</u>	<u>-</u>	<u>1,161,811</u>
Net changes in fund balance	(105,776)	136,388	30,612
Fund balance - beginning	<u>562,286</u>	<u>709,535</u>	<u>1,271,821</u>
Fund balance - ending	<u>\$ 456,510</u>	<u>\$ 845,923</u>	<u>\$ 1,302,433</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, 2016

**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)	\$ 30,612
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.	(304,421)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(4,262)
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.	(12,909)
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.	335,159
The actuarially determined pension expense does not consume current financial resources and, therefore, is not reported in the governmental funds. It is reported as expense in the statement of activities.	(681,226)
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.	(18,490)
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>309,554</u>
Change in net position of governmental activities (Page 13)	<u>\$ (345,983)</u>

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

CITY OF ABERDEEN, MISSISSIPPI
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2016

Assets	Urban Development	Electric	Water and Sewer	Total
Current assets:				
Cash and cash equivalents	\$ 94,954	\$ 3,614,808	\$ 1,100,317	\$ 4,810,079
Accounts receivable (net of allowance for uncollectable of \$11,108)	-	1,321,722	247,489	1,569,211
Rent receivable	-	60,573	-	60,573
Other receivables	-	12,930	-	12,930
Interest receivable	-	-	647	647
Due from other funds	27,732	256,324	-	284,056
Prepaid items	-	21,948	6,877	28,825
Inventories	-	167,567	148,834	316,401
Total current assets	<u>122,686</u>	<u>5,455,872</u>	<u>1,504,164</u>	<u>7,082,722</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	-	573,203	336,692	909,895
Investments	-	-	773,931	773,931
Other assets:				
Notes receivable, net of allowance - noncurrent	<u>207,064</u>	<u>77,742</u>	<u>76,101</u>	<u>360,907</u>
Total noncurrent assets	<u>207,064</u>	<u>650,945</u>	<u>1,186,724</u>	<u>2,044,733</u>
Capital assets:				
Capital assets, not being depreciated:				
Land	-	57,948	126,847	184,795
Plant in services	-	15,216	-	15,216
Construction in progress	-	20,208	83,299	103,507
Capital assets, being depreciated:				
Electric plant	-	3,394,442	-	3,394,442
General plant	-	620,541	-	620,541
Water distribution system	-	-	8,061,634	8,061,634
Wastewater treatment	-	-	3,150,899	3,150,899
Machinery and equipment	-	-	172,109	172,109
Total capital assets	<u>-</u>	<u>4,108,355</u>	<u>11,594,788</u>	<u>15,703,143</u>
Total assets	<u>\$ 329,750</u>	<u>\$ 10,215,172</u>	<u>\$ 14,285,676</u>	<u>\$ 24,830,598</u>
Deferred outflows of resources				
Differences between expected and actual experience	-	27,036	15,383	42,419
Changes of assumptions	-	100,250	25,999	126,249
Differences between projected and actual earnings	-	-	37,361	37,361
Pension contributions subsequent to the measurement date	-	45,720	32,682	78,402
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 173,006</u>	<u>\$ 111,425</u>	<u>\$ 284,431</u>

NOTE - Amounts for the Electric Fund are at June 30, 2016.

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

CITY OF ABERDEEN, MISSISSIPPI
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2016

	Urban Development	Electric	Water and Sewer	Total
Liabilities and net position				
Liabilities:				
Current liabilities:				
Accounts payable and other accrued expenses	\$ -	\$ 2,053,733	\$ 86,559	\$ 2,140,292
Accrued payroll expenses	-	7,509	6,880	14,389
Compensated absences	-	4,389	-	4,389
Due to other funds	-	270,461	391,851	662,312
Total current liabilities	-	2,336,092	485,290	2,821,382
Current liabilities payable from restricted assets:				
Accrued interest payable	-	3,727	14,478	18,205
Customer deposits	-	520,736	102,426	623,162
Current maturities of long-term debt	-	81,097	286,981	368,078
Total current liabilities payable from restricted assets	-	605,560	403,885	1,009,445
Noncurrent liabilities:			160,809	
Advances from Home Insulation Program	-	72,253	-	72,253
Premium on bonds payable	-	-	6,405	6,405
Notes payable	-	-	313,064	313,064
Bonds payable	-	363,402	2,679,163	3,042,565
Net pension liability	-	1,163,713	551,496	1,715,209
Compensated absences payable	-	13,166	5,878	19,044
Total noncurrent liabilities	-	1,612,534	3,556,006	5,168,540
Total liabilities	-	4,554,186	4,445,181	8,999,367
Deferred inflows of resources				
Changes of assumptions	-	-	1,465	1,465
Pension - difference between expected and actuarial experience	-	31,255	-	31,255
Total deferred inflows of resources	-	31,255	1,465	32,720
Net position:				
Net investment in capital assets	-	3,663,856	8,315,580	11,979,436
Restricted for debt service	-	569,476	322,214	891,690
Unrestricted	329,750	1,569,405	1,312,661	3,211,816
Total net position	329,750	5,802,737	9,950,455	16,082,942
Total liabilities, deferred inflows of resources, and net position	\$ 329,750	\$ 10,388,178	\$ 14,397,101	\$ 25,115,029

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, 2016

	Urban Development	Electric	Water and Sewer	Total
Operating revenues				
Charges for sales and services	\$ -	\$ 14,283,474	\$ 2,559,007	\$ 16,842,481
Other operating revenues	37,465	267,452	56,369	361,286
Total operating revenues	<u>37,465</u>	<u>14,550,926</u>	<u>2,615,376</u>	<u>17,203,767</u>
Operating expenses				
Cost of sales and services	-	11,832,268	-	11,832,268
Operations	33,276	612,994	433,825	1,080,095
General and administrative expense	-	472,582	-	472,582
Maintenance	-	315,011	633,718	948,729
Depreciation	-	242,716	664,640	907,356
Total operating expenses	<u>33,276</u>	<u>13,475,571</u>	<u>1,732,183</u>	<u>15,241,030</u>
Operating income (loss)	<u>4,189</u>	<u>1,075,355</u>	<u>883,193</u>	<u>1,962,737</u>
Nonoperating income (expense)				
Interest earned	-	9,045	5,124	14,169
Loss on disposal of assets	-	-	(18,303)	(18,303)
Interest expense	-	(12,300)	(90,915)	(103,215)
Donations	-	(6,206)	-	(6,206)
Total nonoperating income (expense)	<u>-</u>	<u>(9,461)</u>	<u>(104,094)</u>	<u>(113,555)</u>
Change in net position before transfers and capital contributions	4,189	1,065,894	779,099	1,849,182
Transfers and capital contributions				
In lieu of tax transfer	-	(786,811)	(375,000)	(1,161,811)
Tap fees	-	-	14,588	14,588
Total transfers and capital contributions	<u>-</u>	<u>(786,811)</u>	<u>(360,412)</u>	<u>(1,147,223)</u>
Change in net position	4,189	279,083	418,687	701,959
Total net position - beginning	<u>325,561</u>	<u>5,523,654</u>	<u>9,531,768</u>	<u>15,380,983</u>
Total net position - ending	<u><u>\$ 329,750</u></u>	<u><u>\$ 5,802,737</u></u>	<u><u>\$ 9,950,455</u></u>	<u><u>\$ 16,082,942</u></u>

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

CITY OF ABERDEEN, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Fiscal Year Ended September 30, 2016

	Urban Development	Electric	Water and Sewer	Total
Cash flows from operating activities:				
Cash received from consumers and other funds	\$ 37,465	\$ 14,700,330	\$ 2,619,339	17,357,134
Cash paid to suppliers of goods & services	(33,276)	(12,813,600)	(865,006)	(13,711,882)
Cash paid to employees for services and benefits	-	(488,209)	(259,758)	(747,967)
Customer deposits received and refunded	-	42,501	4,449	46,950
Due to/from other funds	600	-	(78,544)	(77,944)
In lieu of tax transfers	-	(786,811)	(375,000)	(1,161,811)
Net cash provided (used) by operating activities	<u>4,789</u>	<u>654,211</u>	<u>1,045,480</u>	<u>1,704,480</u>
Cash flows from non-capital and related financing activities:				
Advances from TVA	-	(21,238)	-	(21,238)
Net cash provided (used) by non-capital and related financing activities	<u>-</u>	<u>(21,238)</u>	<u>-</u>	<u>(21,238)</u>
Cash flows from capital and related financing activities:				
Principal paid on long-term debt	-	(256,369)	(326,005)	(582,374)
Interest and administrative expenses paid on long-term debt	-	(19,911)	(103,984)	(123,895)
Construction and purchase of capital assets	-	(51,164)	(52,987)	(104,151)
Plant removal cost	-	(509)	5,700	5,191
Materials salvaged from retirements	-	10,182	-	10,182
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(317,771)</u>	<u>(477,276)</u>	<u>(795,047)</u>
Cash flows from investing activities:				
Repayment of note receivable	(21,574)	31,725	-	10,151
Maturity of long-term certificates of deposit	-	-	769,228	769,228
Purchase of long-term certificates of deposit	-	-	(773,931)	(773,931)
Interest income payments received	-	9,045	5,125	14,170
Net cash provided (used) by investing activities	<u>(21,574)</u>	<u>40,770</u>	<u>422</u>	<u>19,618</u>
Net increase (decrease) in cash and cash equivalents	<u>(16,785)</u>	<u>355,972</u>	<u>568,626</u>	<u>907,813</u>
Cash and cash equivalents - beginning	<u>111,739</u>	<u>3,832,039</u>	<u>848,099</u>	<u>4,791,877</u>
Cash and cash equivalents - ending	<u>\$ 94,954</u>	<u>\$ 4,188,011</u>	<u>\$ 1,416,725</u>	<u>\$ 5,699,690</u>
Cash and cash equivalents				
Unrestricted cash on hand	\$ -	\$ 500	\$ -	\$ 500
Unrestricted cash and cash equivalents on deposit	94,954	3,614,308	1,100,317	4,809,579
Restricted cash and cash equivalents on deposit	-	573,203	336,692	909,895
Total cash and cash equivalents	<u>\$ 94,954</u>	<u>\$ 4,188,011</u>	<u>\$ 1,437,009</u>	<u>\$ 5,719,974</u>

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

CITY OF ABERDEEN, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Fiscal Year Ended September 30, 2016

	<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)	\$ 4,189	\$ 1,075,355	\$ 883,193	\$ 1,962,737
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	242,716	664,640	907,356
Change in pension related balances	-	9,676	(67,251)	(57,575)
Other receipts (payments)	-	(6,206)	14,588	8,382
In lieu of tax transfers	-	(786,811)	(375,000)	(1,161,811)
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	-	141,225	(10,625)	130,600
(Increase) decrease in materials and supplies	-	4,746	(52,136)	(47,390)
(Increase) decrease in prepayments and other current assets	-	2,926	63,600	66,526
(Increase) decrease in due from other funds	600	8,179	-	8,779
Increase (decrease) in accounts payable and accrued expenses	-	(90,005)	(1,434)	(91,439)
Increase (decrease) in customer deposits	-	42,501	4,449	46,950
Increase (decrease) in due to other funds	-	9,909	(78,544)	(68,635)
Net cash provided (used) by operating activities	<u>\$ 4,789</u>	<u>\$ 654,211</u>	<u>\$ 1,045,480</u>	<u>\$ 1,704,480</u>

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

CITY OF ABERDEEN, MISSISSIPPI
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2016

Assets

Cash and cash equivalents	\$ 138,320
Total assets	<u>\$ 138,320</u>

Liabilities and fund balances

Liabilities:

Due to other funds	\$ 138,320
Total liabilities	<u>\$ 138,320</u>

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

CITY OF ABERDEEN, MISSISSIPPI
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
September 30, 2016

Revenues

Tax redemption receipts	\$ 297,834
Other revenues	758
Interest earnings	<u>64</u>
Total revenues	<u>298,656</u>

Expenditures

Tax redemption reimbursements	296,848
Other operating expenses	<u>1,808</u>
Total expenditures	<u>298,656</u>

Change in net position

	-
Net position - beginning	<u>-</u>
Net position - ending	<u>\$ -</u>

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

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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
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collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental fund:

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

The City reports the following major proprietary funds:

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

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

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

The City also reports a fiduciary fund which accounts for assets held by the City as an agent for employees, other individuals, private organizations, other governments, and or other funds. Agency funds are custodial in nature and do not involve measurement of results for operations. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

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

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

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

CITY OF ABERDEEN, MISSISSIPPI
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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, 2016, the City had certificates of deposit greater than three months in the amount of \$773,931.

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, and pension changes of assumptions.

Compensated Absences

All funds, other than the proprietary funds, record as expenditures the vacation accrued during the year that would normally be liquidated with expendable available financial resources. The

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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, 2016 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

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

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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 February 2015, the GASB issued Statement No. 72— Fair Value Measurement and Application, effective for fiscal years beginning after June 15, 2015, provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. Management has adopted this Statement and has determined that it did not change the current year's financial statements amounts.

In August 2015, the GASB issued Statement No. 77 — Tax Abatement Disclosures, effective for reporting periods beginning after December 15, 2015. The objective of this Statement was to provide financial statement users with information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: 1) Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients, 2) The gross dollar amount of taxes abated during the period, and 3) Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. Management is currently evaluating the impact that this Statement will have on the City's financial statements.

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

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
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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 \$1,501,501 are as follows:

Bonds payable	\$ 940,000
Capital leases payable	137,858
Accrued leave	50,568
Notes payable	<u>373,075</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>\$ 1,501,501</u>

Another element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$5,871,477 are as follows:

Land	\$ 331,364
Buildings and improvements	1,373,285
Infrastructure	3,673,147
Other capital assets	<u>493,681</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 5,871,477</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 (\$304,421) difference are as follows:

Capital outlay	\$ 28,624
Depreciation expense	<u>(333,045)</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (304,421)</u>

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
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NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Custodial Credit Risk

The City's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. The collateral for public entities' deposits in financial institutions are now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-106-5, Mississippi Code Annotated (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public fund must pledge securities as collateral against those deposits equal to at least 105% of the amount of the deposit in excess of the insured amount. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC).

B. Receivables

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

	General	Electric Fund	Water and Sewer Fund	Nonmajor and Other Funds	Total
Receivables:					
Property taxes	\$ 2,064,394	\$ -	\$ -	\$ 170,220	\$ 2,234,614
Accounts	44,645	1,333,870	258,597	635,465	2,272,577
Court fines	1,072,957	-	-	-	1,072,957
Rents	-	60,573	-	-	60,573
Other	-	12,930	-	-	12,930
Grants	3,400	-	-	-	3,400
Interest	-	-	647	-	647
Gross receivables	3,185,396	1,407,373	259,244	805,685	5,657,698
Less: Allowance for uncollectibles	(1,014,019)	(12,148)	(11,108)	-	(1,037,275)
Net total receivables	<u>\$ 2,171,377</u>	<u>\$ 1,395,225</u>	<u>\$ 248,136</u>	<u>\$ 805,685</u>	<u>\$ 4,620,423</u>

CITY OF ABERDEEN, MISSISSIPPI
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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 \$107 thousand in unavailable revenue related to court fines receivable and \$2.06 million in unavailable revenue related to property taxes receivable.

C. Capital Assets

Capital asset activity for the year ended September 30, 2016 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	78,864	-	-	(78,864)	-
Total capital assets, not being depreciated	410,228	-	-	(78,864)	331,364
Capital assets being depreciated:					
Buildings and improvements	1,587,503	10,134	-	78,864	1,676,501
Infrastructure	8,437,443	-	-	-	8,437,443
Machinery and equipment	1,839,866	100,117	-	3	1,939,986
Total capital assets being depreciated	11,864,812	110,251	-	78,867	12,053,930
Less accumulated depreciation for:					
Buildings and improvements	247,394	55,822	-	-	303,216
Infrastructure	4,612,829	151,467	-	-	4,764,296
Other capital assets	1,320,548	125,756	-	1	1,446,305
Total accumulated depreciation	6,180,771	333,045	-	1	6,513,817
Total capital assets being depreciated, net	5,684,041	(222,794)	-	78,866	5,540,113
Governmental activities capital assets, net	\$ 6,094,269	\$ (222,794)	\$ -	\$ 2	\$ 5,871,477
	Beginning Balance	Additions	Disposals	Reclassifications	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 184,795	\$ -	\$ -	\$ -	\$ 184,795
Distribution plant	15,112	104	-	-	15,216
Construction in progress	88,010	15,497	-	-	103,507
Total capital assets, not being depreciated	287,917	15,601	-	-	303,518
Capital assets being depreciated:					
Electric distribution plant	8,783,387	8,661	1,402	(1,628)	8,789,018
General plant	1,926,502	39,395	10,584	(7,239)	1,948,074
Water distribution system	16,643,930	879	5,700	-	16,639,109
Wastewater treatment	5,101,856	23,644	-	-	5,125,500
Buildings and improvements	200,279	3,026	-	-	203,305
Machinery and equipment	1,078,351	25,439	-	-	1,103,790
Total capital assets being depreciated	33,734,305	101,044	17,686	(8,867)	33,808,796

CITY OF ABERDEEN, MISSISSIPPI
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Less accumulated depreciation for:					
Electric distribution plant	5,160,927	221,797	1,447	13,299	5,394,576
General plant	1,317,153	20,919	10,539	-	1,327,533
Water distribution system	8,184,847	392,627	-	1	8,577,475
Wastewater treatment	1,846,723	127,878	-	-	1,974,601
Buildings and improvements	190,152	8,601	-	-	198,753
Machinery and equipment	800,699	135,534	-	-	936,233
Total accumulated depreciation	<u>17,500,501</u>	<u>907,356</u>	<u>11,986</u>	<u>13,300</u>	<u>18,409,171</u>
Total capital assets being depreciated, net	<u>16,233,804</u>	<u>(806,312)</u>	<u>5,700</u>	<u>(22,167)</u>	<u>15,399,625</u>
Business-type activities capital assets, net	<u>16,521,721</u>	<u>(790,711)</u>	<u>5,700</u>	<u>(22,167)</u>	<u>15,703,143</u>
Total capital assets, net	<u>\$ 22,615,990</u>	<u>\$(1,013,505)</u>	<u>\$ 5,700</u>	<u>\$ (22,165)</u>	<u>\$ 21,574,620</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	308,579
Health, culture, recreation, and welfare	630
Total depreciation expense - governmental activities	<u>333,045</u>
Business-type activities:	
Electric	242,716
Water and sewer	664,640
Total depreciation expense - business-type activities	<u>907,356</u>
Total depreciation	<u>\$ 1,240,401</u>

CITY OF ABERDEEN, MISSISSIPPI
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September 30, 2016

D. Long-term Debt

General long-term debt at September 30, 2016 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	\$ 940,000
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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.	187,460
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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.	94,219
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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.	26,194
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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.	65,202
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Capital lease payable:

Excavator, interest at 3.15% due monthly maturing in June 2018	7,391
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2013 Chevrolet Truck, interest at 3.09% due monthly maturing in November 2016	866
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2014 Ford Truck, interest at 2.40% due monthly maturing in April 2018	7,570
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Street sweeper, interest at 2.14% due annually maturing in February 2017	27,238
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Police Cars, interest at 2.50% due annually maturing in September 2021	77,764
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Sanitation vehicle, interest at 2.14% due annually maturing in July 2021	17,029
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Total long-term debt - governmental activities	<u>1,450,933</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, 2016 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.	201,175
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.	108,862
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.	127,767
Capital equipment loan through BancorpSouth, dated 11/21/14 due in monthly installments of \$599 including interest at 2.09% through November 2017.	8,281
Capital equipment loan through BancorpSouth, dated 11/19/13 due in monthly installments of \$818 including interest at 2.24% through November 2017.	11,285
Joint cost liability due to electric department, payments monthly through 2016	149,429

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	2,100,000
General Obligation Bonds, Series 2011 due in annual installments of \$85,603 to \$90,725, including interest at 2%-3% due through September 2021	411,599
Total long-term debt - water and sewer activities	<u>3,118,398</u>

Electric fund long-term debt at June 30, 2016 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	429,042
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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	15,457
Total long-term debt - electric activities	<u>444,499</u>
Total long-term debt - proprietary fund activities	<u>3,562,897</u>

Total long-term debt	5,013,830
Other corporate liabilities	160,810
Accrued annual leave - governmental funds	50,568
Accrued annual leave - proprietary funds	23,433
Total noncurrent liabilities	<u>\$ 5,248,641</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, 2016:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	\$ 209,231	\$ 100,117	\$ 171,490	\$ 137,858	\$ 119,319
Notes	416,139	-	43,064	373,075	42,508
General obligation bonds	1,035,000	-	95,000	940,000	100,000
Compensated absences	37,659	12,909	-	50,568	50,568
	<u>\$ 1,698,029</u>	<u>\$ 113,026</u>	<u>\$ 309,554</u>	<u>\$ 1,501,501</u>	<u>\$ 312,395</u>
Business-type activities:					
Notes	\$ 851,341	\$ -	\$ 229,084	\$ 622,257	\$ 228,162
General obligation bonds	485,958	-	74,359	411,599	77,016
Revenue bonds	2,837,339	-	308,297	2,529,042	160,640
Compensated absences	18,805	4,627	-	23,432	4,389
	<u>\$ 4,193,443</u>	<u>\$ 4,627</u>	<u>\$ 611,740</u>	<u>\$ 3,586,330</u>	<u>\$ 470,207</u>

The annual requirements to amortize all long-term debt and obligations outstanding, excluding compensated absences, as of September 30, 2016, are as follows:

Year Ending	Notes		General Obligation Bonds		Revenue and Tax Bonds		Capital Lease		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	330,256	23,152	177,016	48,781	160,640	64,890	59,733	2,777	727,645	139,600
2018	230,383	15,975	184,671	43,240	162,985	62,460	22,259	1,546	600,298	123,221
2019	147,487	11,132	192,327	37,348	170,329	59,785	20,142	1,069	530,285	109,334
2020	56,293	7,908	199,983	30,179	172,673	56,352	20,608	602	449,557	95,041
2021	17,614	6,687	207,602	23,029	180,017	52,121	15,116	140	420,349	81,977
2022 - 2026	96,442	25,063	390,000	31,600	622,398	202,634	-	-	1,108,840	259,297
2027 - 2031	92,375	9,792	-	-	630,000	117,641	-	-	722,375	127,433
2032 - 2035	24,482	1,275	-	-	430,000	16,491	-	-	454,482	17,766
	<u>\$995,332</u>	<u>\$ 100,984</u>	<u>\$ 1,351,599</u>	<u>\$ 214,177</u>	<u>\$ 2,529,042</u>	<u>\$ 632,374</u>	<u>\$137,858</u>	<u>\$ 6,134</u>	<u>\$5,013,831</u>	<u>\$953,669</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, 2016, is as follows (Electric Fund amounts are shown at 9/30/16 below and 6/30/16 on the face of the financials):

Receivable Fund	Payable Fund	Amount
Electric Fund	General Fund	\$ 17,744
General Fund	Street Pavement	172
General Fund	Water/Sewer Fund	289,502
Fiduciary Funds	General Fund	5,336
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
Total		<u>\$ 493,965</u>

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

The following is a summary of transfers during the year ended September 30, 2016:

Transfers From	Transfers To	Amount
Electric Fund	General Fund	\$ 786,811
Water and Sewer Fund	General Fund	375,000
Total		<u>\$1,161,811</u>

The purpose of the \$1,161,811 transfer between the proprietary funds and the general fund is to make in lieu of tax transfers between the funds.

NOTE 5 - OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs of the City except for certain employment practices liabilities, certain environmental liabilities, workers compensation liabilities funded through a public entity risk pool, and catastrophic natural disasters that may exceed insurance coverage for which the City retains the risk of loss.

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

B. Contingent Liabilities and Losses

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including 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
September 30, 2016

C. Employee Retirement Systems and Pension Plans

June 30, 2015 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
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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).

The following table summarizes the membership of the system as of June 30, 2016 (Measurement Date):

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

	<u>Plan Total</u>	<u>Utility</u>
Retirees and survivors	96,338	7,253
Inactive nonvested members	137,026	10,316
Active members	157,215	11,835
Total	<u>390,579</u>	<u>29,404</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 \$78,755.

Net Pension Liability: The City's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015:

Net Pension Liability

Total Pension Liability

as of June 30, 2014 (a) \$ 961,773

Entry Age Normal Cost for

July 1, 2014 - June 30, 2015 (b) \$ 377,993

Actual Benefit Payments and Refunds for

July 1, 2014 - June 30, 2015 (c) \$ 176,054

Total Pension Liability

as of June 30, 2015

(a) + (b) - (c) \$ 1,163,713

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	3.50%
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-200014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016 with males rates set forward one year.

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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:

	Target	Long-Term
	Allocation	Expected Rate of
	Return*	
U.S. Broad	34.00%	5.20%
International Equity	19.00%	5.00%
Emerging Markets Equi	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 7.75 percent. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2014	\$ 2,931,180	\$ 1,969,407	\$ 961,773
Changes for the year:			
Service cost	50,712	-	50,712
Interest	215,885	-	215,885
Differences between expected and actual experience	24,493	-	24,493
Change in assumptions	92,858	-	92,858
Contributions - employer	-	78,755	(78,755)
Contributions - employee	-	42,001	(42,001)
Net investment income	-	62,308	(62,308)
Benefit payments, including refunds of employee contributions	(176,054)	(176,054)	-
Administrative expense	-	(1,056)	1,056
Transfers among employers	-	-	-
Net changes	207,894	5,954	201,940
Balances at 6/30/2015	<u>\$ 3,139,074</u>	<u>\$ 1,975,361</u>	<u>\$ 1,163,713</u>

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

	1% Decrease (6.75 %)	Current Rate (7.75 %)	1% Increase (8.75 %)
Utility's net pension liability	\$ 1,533,880	\$ 1,163,713	\$ 856,543

(Dollar amounts in thousands)

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Report for the fiscal year ended June 30, 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 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, 2016, the Department recognized pension expense of \$171,908. At June 30, 2016, 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
September 30, 2016

	Deferred Outflows	Deferred Inflows
	of Resources	of Resources
Differences between expected and actual experience	\$ 27,036	\$ -
Changes of assumptions	100,250	-
Net difference between projected and actual earnings on pension plan investments	-	31,255
Employer contributions subsequent to the measurement date	45,720	-
Total	<u>\$ 173,006</u>	<u>\$ 31,255</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	\$ 32,476
2017	31,348
2018	15,185
2019	17,022

June 30, 2016 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
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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
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

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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

The following table summarizes the membership of the system as of September 30, 2016 (June 30, 2016 Measurement Date):

	<u>Plan Total</u>
Retirees and survivors	99,483
Terminated vested employees	19,400
Inactive nonvested members	123,235
Active members	154,104
Total	<u>396,222</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, 2016, was \$444,724.

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2016, 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

* Net of pension plan expense

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, 2016 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

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2015	\$ 13,567,215	\$ 8,371,512	\$ 5,195,703
Changes for the year:			
Service cost	255,253	-	255,253
Interest	1,053,658	-	1,053,658
Differences between expected and actual experience	143,688	-	143,688
Change in Assumptions	152,781	-	152,781
Contributions - employer	-	354,886	(354,886)
Contributions - employee	-	198,968	(198,968)
Net investment income	-	45,487	(45,487)
Benefit payments, including refunds of employee contributions	(862,014)	(862,014)	-
Administrative expense	-	(5,270)	5,270
Other changes	-	(164)	164
Net changes	743,366	(268,107)	1,011,473
Balances at 6/30/2016	<u>\$ 14,310,581</u>	<u>\$ 8,103,405</u>	<u>\$ 6,207,176</u>

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	\$ 7,958,991	\$ 6,207,176	\$ 4,753,737

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, 2016. The supporting actuarial information is included in the GASB Statement No. 68 Report for the PERS prepared as of June 30, 2016. The auditor's report dated September 30, 2016 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, 2016, the City recognized pension expense of \$763,939 (\$696,064 – City and \$67,875 – Water/Sewer). At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 173,135	\$ -
Changes of assumptions	292,620	16,494
Net difference between projected and actual earnings on pension plan investments	420,505	-
Employer contributions subsequent to the measurement date	367,841	-
Total	<u>\$ 1,254,101</u>	<u>\$ 16,494</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:

2017	\$	301,620
2018		227,096
2019		217,579
2020		123,471
Thereafter	\$	-

REQUIRED SUPPLEMENTARY INFORMATION

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, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 91,099	\$ 110,707	\$ 65,098
Contributions in relation to the actuarially determined contribution	<u>76,883</u>	<u>78,755</u>	<u>76,216</u>
Contribution deficiency (excess)	<u>\$ 14,216</u>	<u>\$ 31,952</u>	<u>\$ (11,118)</u>
Covered-employee payroll	\$ 453,389	\$ 444,528	\$ 462,039
Contributions as a percentage of covered - employee payroll	16.96%	17.72%	16.50%

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

**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, 2016

	2015	2014
Total pension liability		
Service cost	\$ 50,712	\$ 53,989
Interest	215,885	218,130
Changes in benefit terms	-	-
Differences between actual & expected experience	24,493	20,388
Change of assumptions	92,858	-
Benefit payments, including refunds of employee contributions	(176,054)	(175,907)
Net change in total pension liability	207,894	116,600
Total pension liability - beginning	2,931,180	2,814,580
Total pension liability - ending (a)	<u>3,139,074</u>	<u>2,931,180</u>
Plan fiduciary net position		
Contributions - employer	78,755	76,216
Contributions - employee	42,001	43,516
Net investment income	62,308	309,288
Benefit payments, including refunds of employee contributions	(176,054)	(175,907)
Administrative expense	(1,056)	(1,057)
Net change in plan fiduciary net position - beginning	5,954	252,056
Plan fiduciary net position - beginning	1,969,407	1,717,351
Plan fiduciary net position - ending (b)	<u>1,975,361</u>	<u>1,969,407</u>
Net pension liability (asset) - ending (a) - (b)	1,163,713	961,773
Plan fiduciary net position as a percentage of total pension liability	58.91%	48.84%
Covered - employee payroll	444,528	462,039
Net pension liability (asset) as a percentage of covered - employee payroll	38.20%	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.

CITY OF ABERDEEN, MISSISSIPPI ELECTRIC DEPARTMENT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEE RETIREMENT SYSTEM OF MISSISSIPPI
For the Year Ended September 30, 2016

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.

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, 2016

	2016	2015
Total pension liability		
Service cost	\$ 255,253	\$ 226,417
Interest	1,053,658	963,875
Changes in benefit terms	-	-
Differences between actual & expected experience	143,688	109,356
Change of assumptions	152,781	612,147
Benefit payments, including refunds of employee contributions	(862,014)	(786,041)
Net change in total pension liability	743,365	1,125,754
Total pension liability - beginning	13,567,215	12,441,461
Total pension liability - ending (a)	14,310,580	13,567,215
 Plan fiduciary net position		
Contributions - employer	354,886	334,933
Contributions - employee	198,968	187,523
Net investment income	45,487	278,192
Benefit payments, including refunds of employee contributions	(862,014)	(786,041)
Administrative expense	(5,270)	(4,545)
Other changes	(165)	(168)
Net change in plan fiduciary net position	(268,108)	9,894
Plan fiduciary net position - beginning	8,371,512	8,361,618
Plan fiduciary net position - ending (b)	8,103,404	8,371,512
 Net pension liability (asset) - ending (a) - (b)	6,207,176	5,195,703
 Plan fiduciary net position as a percentage of total pension liability	76.60%	62.06%
 Covered - employee payroll	2,342,186	1,984,712
 Net pension liability (asset) as a percentage of covered - employee payroll	37.73%	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.

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE RETIREMENT SYSTEM OF MISSISSIPPI
For the Year Ended September 30, 2016

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

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

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEE RETIREMENT SYSTEM OF MISSISSIPPI
For the Year Ended September 30, 2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	29.2 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, 2016

	Budgeted Amounts			Variance- Over (Under)
	Original	Final	Actual	
Revenues:				
Property taxes	1,926,539	1,926,539	2,050,993	124,454
Intergovernmental	1,414,665	1,414,665	1,305,926	(108,739)
Charges for services	566,300	566,300	540,743	(25,557)
Licenses and permits	22,100	22,100	10,677	(11,423)
Rents	20,600	20,600	22,107	1,507
Fines	94,400	94,400	78,185	(16,215)
Grant proceeds	12,500	12,500	9,673	(2,827)
Interest	200	200	231	31
Other	91,250	91,250	51,328	(39,922)
Total revenues	<u>4,148,554</u>	<u>4,148,554</u>	<u>4,069,863</u>	<u>(78,691)</u>
Expenditures:				
Current:				
General government	1,662,271	1,662,271	1,740,309	78,038
Public safety	1,727,379	1,727,379	1,699,640	(27,739)
Public works	1,414,645	1,414,645	1,439,609	24,964
Health, culture, and recreation	258,767	258,767	246,254	(12,513)
Debt service:				
Principal	201,240	201,240	205,326	4,086
Interest	-	-	9,778	9,778
Total expenditures	<u>5,264,302</u>	<u>5,264,302</u>	<u>5,340,916</u>	<u>76,614</u>
Excess (deficiency) of revenues over expenditures	<u>(1,115,748)</u>	<u>(1,115,748)</u>	<u>(1,271,053)</u>	<u>(155,305)</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, 2016

	Budgeted Amounts			Variance-
	Original	Final	Actual	Over (Under)
Other financing sources (uses):				
In lieu of tax payments	1,115,748	1,115,748	1,161,811	46,063
Total other financing sources (uses)	<u>1,115,748</u>	<u>1,115,748</u>	<u>1,161,811</u>	<u>46,063</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	(109,242)	<u>\$ (109,242)</u>
Fund balance - beginning			<u>453,400</u>	
Fund balance - ending			<u><u>\$ 344,158</u></u>	
Reconciliation to fund financial statements:				
Revenues over (under) expenditures - budgetary			\$ (109,242)	
Revenues and expenditures not included in budgetary statements:				
S&J escrow fund - interest			31	
Street pavement fund- interest			10	
Street pavement fund- tax receipts			15	
HOME grant fund - grant receipts			12,400	
HOME grant fund - expenses			(8,990)	
Net change in fund balance - (page 16)			<u><u>\$ (105,776)</u></u>	
Fund balance - budgetary			\$ 344,158	
Assets related to Prairie Construction fund			10,641	
Assets related to S&J escrow fund			61,254	
Assets related to street pavement fund			73,005	
Assets related to HOME Grant fund			3,439	
Assets related to Rural Development clearing			13	
Liabilities related to street pavement fund			(36,000)	
Fund balance - (page 14)			<u><u>\$ 456,510</u></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, 2016

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues			
Charges for sales and services	\$ 1,791,550	\$ 767,457	\$ 2,559,007
Other operating revenues	39,456	16,913	56,369
Total operating revenues	<u>1,831,006</u>	<u>784,370</u>	<u>2,615,376</u>
Operating expenses			
Operations	299,339	134,486	433,825
Maintenance	464,039	169,679	633,718
Depreciation	458,602	206,038	664,640
Total operating expenses	<u>1,221,980</u>	<u>510,203</u>	<u>1,732,183</u>
Operating income (loss)	<u>609,026</u>	<u>274,167</u>	<u>883,193</u>
Nonoperating income (expense)			
Interest earned	3,536	1,588	5,124
Loss on bond refunding	(18,303)	-	(18,303)
Interest expense	(62,731)	(28,184)	(90,915)
Debt issuance costs	-	-	-
Total nonoperating income (expense)	<u>(77,498)</u>	<u>(26,596)</u>	<u>(104,094)</u>
Change in net position before transfers and capital contributions	531,528	247,571	779,099
Transfers and capital contributions			
In lieu of tax transfer	(258,750)	(116,250)	(375,000)
Transfer out	-	-	-
Contributed capital	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u><u>\$ 283,589</u></u>	<u><u>\$ 135,098</u></u>	<u><u>\$ 418,687</u></u>

See independent auditor's report.

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended September 30, 2016

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>CFDA Number</u>	<u>Project or Grant Number</u>	<u>Expenditures</u>
Department of the Interior National Park Service			
Passthrough Mississippi Department of Archives and History			
Historic Preservation Fund Grant-In Aid	15.904	unknown	\$ 5,246
Department of Housing and Urban Development			
HOME Grant	14.239	unknown	<u>8,400</u>
Total Expenditures of Federal Awards			<u><u>\$ 13,646</u></u>

See the independent auditor's report.

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For The Fiscal Year Ended September 30, 2016

	<u>Project or Grant Number</u>	<u>Disbursements</u>
Mississippi Department of Revenue Municipal Court Collection Grant	unknown	4,427
Mississippi Department of Transportation Ports & Waterways Multimodal Grant	PMM-15(001)	<u>623,979</u>
Total Expenditures of Federal Awards		<u>\$ 628,406</u>

See the independent auditor's report.

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF SURETY BONDS
September 30, 2016

<u>Name</u>	<u>Position</u>	<u>Surety Company</u>	<u>Bond Amount</u>
Maurice Howard	Mayor	Old Republic	\$ 100,000
Lady Garth	Councilmember	Old Republic	100,000
Alonzo Sykes	Councilmember	Old Republic	100,000
David Ewing	Councilmember	Old Republic	100,000
Brunson Odom	Councilmember	Old Republic	100,000
Jim Buffington	Councilmember	Old Republic	100,000
Henry Randle	Police Chief	Old Republic	100,000
Jackie Benson	City Clerk	Old Republic	50,000
Karen Crump	Comptroller	CNASurety	50,000
Tamika Kendrick	City Accountant	CNASurety	50,000
Dispatchers Bond	Per Dispatcher	CNASurety	<u>10,000</u>
			<u><u>\$ 860,000</u></u>

See the independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



**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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 9, 2017.

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 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and recommendations as item 2016-001 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*.

Aberdeen's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Alexander Thompson Arnold, PE". The signature is written in a cursive, flowing style.

Jackson, Tennessee
May 9, 2017



**Independent Auditor's Report on Compliance with
State Laws and Regulations**

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

We have audited the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Aberdeen, Mississippi (the City) as of and for the year ended September 30, 2016, and have issued our report thereon dated May 9, 2017. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

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

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

Alexander Thompson Arnold, PLLC

Jackson, Tennessee
May 9, 2017

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
September 30, 2016

FINANCIAL STATEMENT FINDINGS

Current Year Findings:

2016-001 Gas Usage Reconciliations Not Performed and Employee Requirements Not Being Properly Adhered To (Significant Deficiency)

Condition: While testing gas usage by city employees, it was determined that there was no evidence of reconciliations being performed. Also, procedures set up to be used for fuel purchases were not being properly adhered to.

Criteria: Due to the risk of misappropriation, gas usage is an area to be closely monitored.

Effect: When gas usage is not reviewed and reconciled, it creates the opportunity for abuse to occur. The employee using incorrect odometer readings consistently lends the opportunity for abuse to occur.

Recommendation: We recommend that accounting personnel review and reconcile the fuelman invoices on a monthly basis. Also, we recommend that all employees, including management of the City, properly adhere to the procedures put in place to protect against abuse of gas usage.

Response: The accounting personnel will reconcile the activity monthly and will strongly communicate to all employees the need to follow procedures related to gas purchases.

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
September 30, 2016

Prior Year Findings:

2015-001 Balance sheet accounts not being properly reconciled (Material Weakness)
(Corrected)