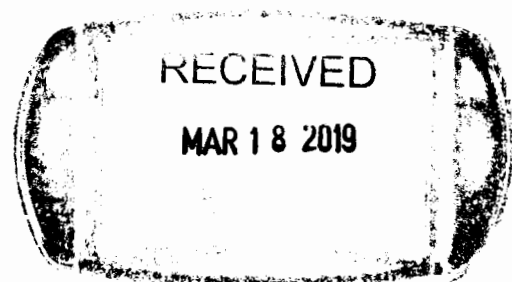




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CITY OF ABERDEEN, MISSISSIPPI
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR
ENDED SEPTEMBER 30, 2017



CITY OF ABERDEEN, MISSISSIPPI

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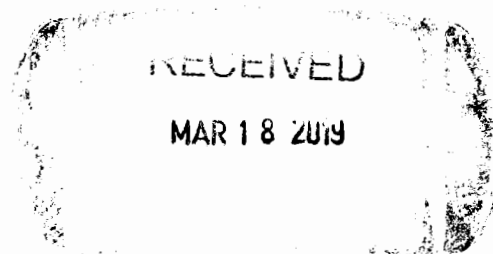
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INTRODUCTORY SECTION

CITY OF ABERDEEN, MISSISSIPPI
DIRECTORY
September 30, 2017

ELECTED OFFICIALS

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

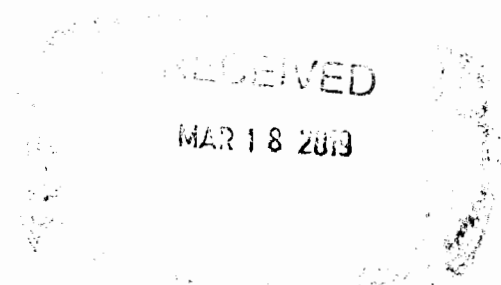
COUNSEL

Robert Faulks
Aberdeen, Mississippi

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION





Alexander Thompson Arnold PLLC

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aberdeen, Mississippi, (the City) as of and for the year ended September 30, 2017 (Electric Dept. is as of June 30, 2017), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aberdeen, Mississippi, as of September 30, 2017, 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 April 10, 2018 on our consideration of the City of Aberdeen's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and

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

Alexander Thompson Arnold, PLLC

Jackson, Tennessee
April 10, 2018

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, 2017.

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 \$17.90 million (net position). Of this amount, \$136 thousand represents unrestricted net position.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$1.73 million. This was an increase of \$431 thousand, or 33.07%, from the prior year's fund balances. Of the ending fund balances, \$689 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 \$241 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 \$17.90 million at the close of the most recent fiscal year. The largest portion of the City's net position (89.27%) 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 \$1.78 million at the close of the fiscal year. Of the remaining balances, \$15.98 million is net investment in capital asset and \$143 thousand represents unrestricted net position.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 4,290,514	\$ 3,920,884	\$ 10,119,768	\$ 9,157,507	\$ 14,410,282	\$ 13,078,391
Capital assets	5,806,811	5,871,477	14,947,519	15,703,143	20,754,330	21,574,620
Total assets	10,097,325	9,792,361	25,067,287	24,860,650	35,164,612	34,653,011
Deferred outflows of resources	287,961	1,142,676	368,764	284,431	656,725	1,427,107
Long-term liabilities	6,718,341	7,157,181	5,103,892	5,462,349	11,822,233	12,619,530
Other liabilities	542,008	461,408	3,325,281	3,252,962	3,867,289	3,714,370
Total liabilities	7,260,349	7,618,589	8,429,173	8,715,311	15,689,522	16,333,900
Deferred inflows of resources	2,218,335	2,054,770	17,005	32,720	2,235,340	2,087,490
Net position:						
Net investment in capital assets	4,376,439	4,469,151	11,599,392	11,979,436	15,975,831	16,448,587
Restricted	896,800	842,972	881,343	891,690	1,778,143	1,734,662
Unrestricted	(4,366,637)	(4,050,445)	4,509,138	3,525,924	142,501	(524,521)
Total net position	\$ 906,602	\$ 1,261,678	\$ 16,989,873	\$ 16,397,050	\$ 17,896,475	\$ 17,658,728

Statement of Activities - Expenses in the governmental activities exceeded revenues by \$4.97 million. In the business-type activities revenues exceeded expenses by \$1.71 million, which combined with general business-type revenues and transfers out resulted in a \$593 thousand change in net position. General government revenues of \$3.74 million, transfers from the utility fund of \$1.13 million, and a prior period adjustment of (\$250 thousand) helped net position to only decrease \$355 thousand for the governmental activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 857,582	\$ 771,662	\$ 17,807,528	\$ 17,224,051	\$ 18,665,110	\$ 17,995,713
Operating grants and contributions	11,689	20,528	9,350	14,588	21,039	35,116
Capital grants and contributions	343,143	637,549	-	-	343,143	637,549
General revenues:						
Property taxes	2,193,920	2,249,499	-	-	2,193,920	2,249,499
Intergovernmental	550,099	451,891	-	-	550,099	451,891
Sales tax	936,878	912,232	-	-	936,878	912,232
Other sources	55,485	14,251	-	-	55,485	14,251
Unrestricted interest	781	590	11,728	14,169	12,509	14,759
Total revenues	4,949,577	5,058,202	17,828,606	17,252,808	22,778,183	22,311,010
Expenses:						
General government	2,479,309	2,115,942	-	-	2,479,309	2,115,942
Public safety	1,618,877	1,913,396	-	-	1,618,877	1,913,396
Public works	1,263,805	1,543,384	-	-	1,263,805	1,543,384
Health, culture, welfare, and recreation	683,800	850,586	-	-	683,800	850,586
Economic development	83,885	82,664	-	-	83,885	82,664
Capital outlay	-	17,955	-	-	-	17,955
Debt service	50,812	42,069	-	-	50,812	42,069
Urban development	-	-	40,993	33,276	40,993	33,276
Electric	-	-	14,197,273	13,494,077	14,197,273	13,494,077
Water and Sewer	-	-	1,871,780	1,861,685	1,871,780	1,861,685
Total expenses	6,180,488	6,565,996	16,110,046	15,389,038	22,290,534	21,955,034
Excess/(deficiency) of revenues over/under expenses	(1,230,911)	(1,507,794)	1,718,560	1,863,770	487,649	355,976
Transfers	1,125,737	1,161,811	(1,125,737)	(1,161,811)	-	-
Increase in net position	(105,174)	(345,983)	592,823	701,959	487,649	355,976
Net position - beginning	1,261,678	1,607,661	16,397,050	15,380,983	17,658,728	16,988,644
Prior period adjustment	(249,902)	-	-	314,108	(249,902)	314,108
Net position - beginning - restated	1,011,776	1,607,661	16,397,050	15,695,091	17,408,826	17,302,752
Net position - ending	\$ 906,602	\$ 1,261,678	\$ 16,989,873	\$ 16,397,050	\$ 17,896,475	\$ 17,658,728

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 85.70% of governmental fund revenues excluding debt proceeds and other financing sources. Accordingly, this discussion will focus on the general fund.

General fund balance was \$832 thousand at the end of the current fiscal year. At year end, unassigned fund balance has a balance of \$685 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 \$16.99 million. Of the balance, \$11.61 million is net investment in capital assets, \$881 thousand is restricted for debt service and \$4.50 million is unrestricted. There was an overall increase in net position for proprietary funds of \$593 thousand during the current year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Budgetary highlights - Actual revenues and other financing sources were over the final budgeted amounts by \$126 thousand in the general fund. Property tax revenue was over in the amount of \$55 thousand. Expenditures were \$253 thousand under budget in the general fund. General government expenses were under budget by \$155 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2017, the City had invested \$20.75 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 \$4.65 million. Of this amount, \$2.28 million comprises debt backed by the full faith and credit of the City. The remainder, \$2.37 million, of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds). Additional information on the City's long-term debt can be found in Note 4.D. beginning on page 35 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The unemployment rate for Monroe County is currently 4.6% down from 6.6% in 2016. The state's average unemployment rate is currently 5.2% down from 5.7% in 2016. The national average unemployment rate is currently 4.2%. All of the rates are from labor statistics released in September 2017, respectively.

All of these factors were considered in preparing the City's budget for the 2018 fiscal year. There are currently capital projects planned and ongoing for fiscal year 2018.

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, 2017

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash on hand	\$ 100	\$ -	\$ 100
Cash and cash equivalents	1,652,399	6,019,964	7,672,363
Receivables:			
Taxes (net of allowances)	2,217,529	-	2,217,529
Accounts - other (net of allowances)	68,294	1,829,628	1,897,922
Accounts - court fines (net of allowances)	108,379	-	108,379
Rent receivable	-	59,681	59,681
Other receivables	-	14,043	14,043
Interest	-	647	647
Internal balances	205,388	(346,749)	(141,361)
Prepaid items	38,425	18,842	57,267
Inventories	-	457,575	457,575
Restricted assets:			
Cash and cash equivalents	-	898,744	898,744
Investments	-	778,650	778,650
Notes receivable	-	388,743	388,743
Capital assets not being depreciated:			
Land	331,364	184,795	516,159
Plant in service	-	15,216	15,216
Construction in progress	-	93,651	93,651
Capital assets net of accumulated depreciation:			
Electric plant	-	3,251,168	3,251,168
General plant	-	479,215	479,215
Water distribution system	-	7,726,388	7,726,388
Wastewater treatment	-	3,022,982	3,022,982
Buildings and improvements	1,317,463	-	1,317,463
Infrastructure	3,521,680	-	3,521,680
Other capital assets	636,304	174,104	810,408
Total assets	\$ 10,097,325	\$ 25,067,287	\$ 35,164,612
Deferred outflows of resources			
Loss on bond refunding	-	18,668	18,668
Differences between expected and actual experience	78,463	50,878	129,341
Changes of assumptions	121,385	84,770	206,155
Differences between projected and actual earnings	-	102,849	102,849
Pension contributions subsequent to the measurement date	88,113	111,599	199,712
Total deferred outflows of resources	\$ 287,961	\$ 368,764	\$ 656,725

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

CITY OF ABERDEEN, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2017

	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable and other accrued expenses	\$ 190,330	\$ 2,194,145	\$ 2,384,475
Accrued payroll expenses	117,034	22,413	139,447
Accrued interest	5,578	17,401	22,979
Customer deposits	-	653,500	653,500
Advances from Home Insulation Program	-	58,871	58,871
Noncurrent liabilities:			
Net pension liability	5,461,384	2,112,067	7,573,451
Compensated absences	55,651	22,649	78,300
Premium on bonds payable	-	6,013	6,013
Due within one year	229,066	378,951	608,017
Due in more than one year	1,201,306	2,963,163	4,164,469
Total liabilities	<u>7,260,349</u>	<u>8,429,173</u>	<u>15,689,522</u>
Deferred inflows of resources			
Pension - difference between expected and actual experience	39,850	4,333	44,183
Pension - Net difference between projected and actual earnings on plan investments	70,120	7,625	77,745
Pension - change of assumptions	9,306	5,047	14,353
Property taxes - deferred	2,099,059	-	2,099,059
Total deferred inflows of resources	<u>2,218,335</u>	<u>17,005</u>	<u>2,235,340</u>
Net position			
Net investment in capital assets	4,376,439	11,599,392	15,975,831
Restricted for:			
Debt service	18,012	881,343	899,355
Municipal fire	285,462	-	285,462
Tourism	33,156	-	33,156
Capital projects	55,896	-	55,896
Industrial purposes	164,604	-	164,604
Port maintenance	339,670	-	339,670
Unrestricted	(4,366,637)	4,509,138	142,501
Total net position	<u>\$ 906,602</u>	<u>\$ 16,989,873</u>	<u>\$ 17,896,475</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, 2017

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	\$ 2,479,309	\$ 130,853	\$ -	\$ -	\$ (2,348,456)	\$ -	\$ (2,348,456)
Public safety	1,618,877	88,933	7,200	-	(1,522,744)	-	(1,522,744)
Public works	1,263,805	525,358	-	-	(738,447)	-	(738,447)
Health, culture, welfare, and recreation	683,800	109,019	4,489	340,343	(229,949)	-	(229,949)
Economic development	83,885	3,419	-	2,800	(77,666)	-	(77,666)
Interest on long-term debt	50,812	-	-	-	(50,812)	-	(50,812)
Total governmental activities	<u>6,180,488</u>	<u>857,582</u>	<u>11,689</u>	<u>343,143</u>	<u>(4,968,074)</u>	<u>-</u>	<u>(4,968,074)</u>
Business-type activities:							
Urban development	40,993	39,313	-	-	-	(1,680)	(1,680)
Electric	14,197,273	15,238,501	-	-	-	1,041,228	1,041,228
Water and sewer	1,871,780	2,529,714	9,350	-	-	667,284	667,284
Total business-type activities	<u>16,110,046</u>	<u>17,807,528</u>	<u>9,350</u>	<u>-</u>	<u>-</u>	<u>1,706,832</u>	<u>1,706,832</u>
Total primary government	<u>\$ 22,290,534</u>	<u>\$ 18,665,110</u>	<u>\$ 21,039</u>	<u>\$ 343,143</u>	<u>\$ (4,968,074)</u>	<u>\$ 1,706,832</u>	<u>\$ (3,261,242)</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, 2017

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				\$ 2,193,920	\$ -	\$ 2,193,920
	Intergovernmental				550,099	-	550,099
	Sales tax				936,878	-	936,878
	Other sources				55,485	-	55,485
	Unrestricted interest income				781	11,728	12,509
	Total general revenues				<u>3,737,163</u>	<u>11,728</u>	<u>3,748,891</u>
Transfers							
	In lieu of taxes in (out)				<u>1,125,737</u>	<u>(1,125,737)</u>	<u>-</u>
	Total transfers				<u>1,125,737</u>	<u>(1,125,737)</u>	<u>-</u>
	Total general revenues and transfers				<u>4,862,900</u>	<u>(1,114,009)</u>	<u>3,748,891</u>
	Changes in net position				(105,174)	592,823	487,649
	Net position - beginning				1,261,678	16,397,050	17,658,728
	Prior period adjustment				<u>(249,902)</u>	<u>-</u>	<u>(249,902)</u>
	Net position - beginning - restated				<u>1,011,776</u>	<u>16,397,050</u>	<u>17,408,826</u>
	Net position - ending				\$ 906,602	\$ 16,989,873	\$ 17,896,475

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

CITY OF ABERDEEN, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2017

	Common City/General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash on hand	\$ 100	\$ -	\$ 100
Cash and cash equivalents	903,101	749,298	1,652,399
Receivables:			
Taxes (net of allowance for uncollectibles \$14,509)	2,045,088	172,441	2,217,529
Accounts	44,548	23,746	68,294
Court fines (net of allowance for uncollectibles \$975,412)	108,379	-	108,379
Prepaid items	38,425	-	38,425
Due from other funds	255,703	166,352	422,055
Total assets	<u>\$ 3,395,344</u>	<u>\$ 1,111,837</u>	<u>\$ 4,507,181</u>
Liabilities			
Accounts payable and other accrued expenses	179,641	10,689	190,330
Accrued payroll expenses	117,034	-	117,034
Due to other funds	188,935	27,732	216,667
Total liabilities	<u>485,610</u>	<u>38,421</u>	<u>524,031</u>
Deferred inflows of resources			
Court fines - unavailable	108,379	-	108,379
Property taxes - unavailable	1,969,206	172,441	2,141,647
Total deferred inflows of resources	<u>2,077,585</u>	<u>172,441</u>	<u>2,250,026</u>
Fund balances:			
Nonspendable	38,425	-	38,425
Restricted for:			
Municipal fire	-	285,462	285,462
Tourism	-	33,156	33,156
Debt service	-	18,012	18,012
Capital projects	-	55,896	55,896
Industrial purposes	-	164,604	164,604
Port maintenance	-	339,670	339,670
Assigned for:			
Industrial purposes	61,285	-	61,285
Street paving	47,656	-	47,656
Unassigned	684,783	4,175	688,958
Total fund balances	<u>832,149</u>	<u>900,975</u>	<u>1,733,124</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,395,344</u>	<u>\$ 1,111,837</u>	<u>\$ 4,507,181</u>

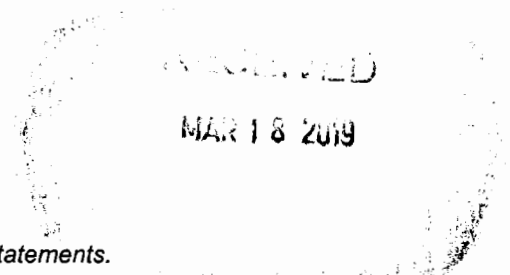
The accompanying notes are an integral part of the financial statements.

CITY OF ABERDEEN, MISSISSIPPI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2017

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

Fund balance - total governmental funds (Page 14)	\$ 1,733,124
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds	5,806,811
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds Property taxes and court fines	150,967
Net pension liability is not due in the current period and, therefore, is not reported in the funds.	(5,461,384)
Deferred outflows of resources - pensions are not available to pay current expenditures and, therefore, are unavailable in the funds.	287,961
Deferred inflows of resources - pensions are not due in the current period and, therefore, are unavailable in the funds.	(119,276)
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>(1,486,023)</u>
Net position of governmental activities (Page 11)	<u>\$ 906,602</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, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 2,002,214	\$ 163,619	\$ 2,165,833
Intergovernmental	1,414,429	105,883	1,520,312
Charges for services	544,433	-	544,433
Licenses and permits	2,455	-	2,455
Rents	28,402	66,348	94,750
Fines	47,804	33,061	80,865
Grant proceeds	7,289	340,343	347,632
Interest	389	392	781
Other	215,263	1,718	216,981
Total revenues	<u>4,262,678</u>	<u>711,364</u>	<u>4,974,042</u>
Expenditures:			
Current:			
General government	1,605,303	-	1,605,303
Public safety	1,615,466	418	1,615,884
Public works	1,268,690	1,940	1,270,630
Health, culture, and recreation	302,702	414,514	717,216
Economic development	-	83,885	83,885
Debt service:			
Principal	214,256	111,102	325,358
Interest	6,359	44,453	50,812
Total expenditures	<u>5,012,776</u>	<u>656,312</u>	<u>5,669,088</u>
Excess (deficiency) of revenues over expenditures	<u>(750,098)</u>	<u>55,052</u>	<u>(695,046)</u>
Other financing sources (uses):			
Transfer-in lieu of tax payments	<u>1,125,737</u>	<u>-</u>	<u>1,125,737</u>
Net changes in fund balance	375,639	55,052	430,691
Fund balance - beginning	<u>456,510</u>	<u>845,923</u>	<u>1,302,433</u>
Fund balance - ending	<u>\$ 832,149</u>	<u>\$ 900,975</u>	<u>\$ 1,733,124</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, 2017

**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)	\$ 430,691
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.	(64,667)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	28,087
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.	(5,083)
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.	88,113
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.	(602,876)
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.	(310,700)
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>331,261</u>
Change in net position of governmental activities (Page 13)	<u>\$ (105,174)</u>

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

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CITY OF ABERDEEN, MISSISSIPPI
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2017

Assets	Urban Development	Electric	Water and Sewer	Total
Current assets:				
Cash and cash equivalents	52,572	4,361,691	1,605,701	6,019,964
Accounts receivable (net of allowance for uncollectable of \$99,823)	-	1,604,029	225,599	1,829,628
Rent receivable	-	59,681	-	59,681
Other receivables	-	14,043	-	14,043
Interest receivable	-	-	647	647
Due from other funds	27,732	150,753	785	179,270
Prepaid items	-	8,555	10,287	18,842
Inventories	-	278,302	179,273	457,575
Total current assets	<u>80,304</u>	<u>6,477,054</u>	<u>2,022,292</u>	<u>8,579,650</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	-	567,142	331,602	898,744
Investments	-	-	778,650	778,650
Other assets:				
Notes receivable, net of allowance - noncurrent	<u>247,766</u>	<u>64,876</u>	<u>76,101</u>	<u>388,743</u>
Bond issuance costs	-	-	-	-
Total noncurrent assets	<u>247,766</u>	<u>632,018</u>	<u>1,186,353</u>	<u>2,066,137</u>
Capital assets:				
Capital assets, not being depreciated:				
Land	-	57,948	126,847	184,795
Distribution plant	-	15,216	-	15,216
Construction in progress	-	10,352	83,299	93,651
Capital assets, being depreciated:				
Electric plant	-	3,251,168	-	3,251,168
General plant	-	479,215	-	479,215
Water distribution system	-	-	7,726,388	7,726,388
Wastewater treatment	-	-	3,022,982	3,022,982
Machinery and equipment	-	-	174,104	174,104
Total capital assets	<u>-</u>	<u>3,813,899</u>	<u>11,133,620</u>	<u>14,947,519</u>
Total assets	<u>\$ 328,070</u>	<u>\$ 10,922,971</u>	<u>\$ 14,342,265</u>	<u>\$ 25,593,306</u>
Deferred outflows of resources				
Loss on bond refunding	-	-	18,668	18,668
Differences between expected and actual experience	-	42,346	8,532	50,878
Changes of assumptions	-	71,570	13,200	84,770
Differences between projected and actual earnings	-	102,849	-	102,849
Pension contributions subsequent to the measurement date	-	101,369	10,230	111,599
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 318,134</u>	<u>\$ 50,630</u>	<u>\$ 368,764</u>

NOTE - Amounts for the Electric Fund are at June 30, 2017.

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

CITY OF ABERDEEN, MISSISSIPPI
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2017

	Urban Development	Electric	Water and Sewer	Total
Liabilities and net position				
Liabilities:				
Current liabilities:				
Accounts payable and other accrued expenses	-	2,130,726	63,419	2,194,145
Accrued payroll expenses	-	13,370	9,043	22,413
Compensated absences	-	3,357	-	3,357
Due to other funds	-	239,695	286,324	526,019
Total current liabilities	-	2,387,148	358,786	2,745,934
Current liabilities payable from restricted assets:				
Accrued interest payable	-	3,290	14,111	17,401
Customer deposits	-	547,522	105,978	653,500
Current maturities of long-term debt	-	67,985	310,966	378,951
Total current liabilities payable from restricted assets	-	618,797	431,055	1,049,852
Noncurrent liabilities:				
Advances from Home Insulation Program	-	58,871	-	58,871
Premium on bonds payable	-	-	6,013	6,013
Notes payable	-	-	266,035	266,035
Bonds payable	-	295,417	2,401,711	2,697,128
Net pension liability	-	1,518,175	593,892	2,112,067
Compensated absences payable	-	10,070	9,222	19,292
Total noncurrent liabilities	-	1,882,533	3,276,873	5,159,406
Total liabilities	-	4,888,478	4,066,714	8,955,192
Deferred inflows of resources				
Pension - Changes of assumptions	-	4,035	1,012	5,047
Pension - difference between expected and actuarial experience	-	-	4,333	4,333
Pension - Net difference between projected and actual earnings on plan investments	-	-	7,625	7,625
Total deferred inflows of resources	-	4,035	12,970	17,005
Net position:				
Net investment in capital assets	-	3,450,497	8,148,895	11,599,392
Restricted for debt service	-	563,852	317,491	881,343
Unrestricted	328,070	2,334,243	1,846,825	4,509,138
Total net position	328,070	6,348,592	10,313,211	16,989,873
Total liabilities, deferred inflows of resources, and net position	\$ 328,070	\$ 11,241,105	\$ 14,392,895	\$ 25,962,070

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, 2017

	Urban Development	Electric	Water and Sewer	Total
Operating revenues				
Charges for sales and services	\$ -	\$ 14,939,806	\$ 2,485,996	\$ 17,425,802
Other operating revenues	39,313	298,695	43,718	381,726
Total operating revenues	39,313	15,238,501	2,529,714	17,807,528
Operating expenses				
Cost of sales and services	-	12,346,157	-	12,346,157
Operations	40,993	670,320	467,373	1,178,686
General and administrative expense	-	580,784	-	580,784
Maintenance	-	318,515	695,379	1,013,894
Depreciation	-	280,980	627,447	908,427
Total operating expenses	40,993	14,196,756	1,790,199	16,027,948
Operating income (loss)	(1,680)	1,041,745	739,515	1,779,580
Nonoperating income (expense)				
Interest earned	-	6,267	5,461	11,728
Loss on disposal of assets	-	14,208	(1,121)	13,087
Interest expense	-	(10,198)	(80,460)	(90,658)
Donations	-	(4,527)	-	(4,527)
Total nonoperating income (expense)	-	5,750	(76,120)	(70,370)
Change in net position before transfers and capital contributions	(1,680)	1,047,495	663,395	1,709,210
Transfers and capital contributions				
In lieu of tax transfer	-	(815,748)	(309,989)	(1,125,737)
Tap fees	-	-	9,350	9,350
Total transfers and capital contributions	-	(815,748)	(300,639)	(1,116,387)
Change in net position	(1,680)	231,747	362,756	592,823
Total net position - beginning	329,750	6,116,845	9,950,455	16,397,050
Total net position - ending	\$ 328,070	\$ 6,348,592	\$ 10,313,211	\$ 16,989,873

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, 2017

	Urban Development	Electric	Water and Sewer	Total
Cash flows from operating activities:				
Cash received from consumers and other funds	\$ 39,313	\$ 15,385,333	\$ 2,560,954	\$ 17,985,600
Cash paid to suppliers of goods & services	(40,993)	(13,083,289)	(917,887)	(14,042,169)
Cash paid to employees for services and benefits	-	(699,755)	(181,651)	(881,406)
Customer deposits received and refunded	-	26,786	3,552	30,338
Due to/from other funds	-	-	(106,312)	(106,312)
In lieu of tax transfers	-	(815,748)	(309,989)	(1,125,737)
Net cash provided (used) by operating activities	(1,680)	813,327	1,048,667	1,860,314
Cash flows from non-capital and related financing activities:				
Advances from TVA	-	(13,382)	-	(13,382)
Net cash provided (used) by non-capital and related financing activities	-	(13,382)	-	(13,382)
Cash flows from capital and related financing activities:				
Principal paid on long-term debt	-	(81,097)	(300,496)	(381,593)
Interest and administrative expenses paid on long-term debt	-	(10,635)	(81,219)	(91,854)
Construction and purchase of capital assets	-	(43,549)	(166,279)	(209,828)
Plant removal cost	-	45,312	(1,121)	44,191
Materials salvaged from retirements	-	11,713	-	11,713
Net cash provided (used) by capital and related financing activities	-	(78,256)	(549,115)	(627,371)
Cash flows from investing activities:				
Repayment of note receivable	(40,702)	12,866	-	(27,836)
Maturity of long-term certificates of deposit	-	-	773,931	773,931
Purchase of long-term certificates of deposit	-	-	(778,650)	(778,650)
Interest income payments received	-	6,267	5,461	11,728
Net cash provided (used) by investing activities	(40,702)	19,133	742	(20,827)
Net increase (decrease) in cash and cash equivalents	(42,382)	740,822	500,294	1,198,734
Cash and cash equivalents - beginning	94,954	4,188,011	1,437,009	5,719,974
Cash and cash equivalents - ending	\$ 52,572	\$ 4,928,833	\$ 1,937,303	\$ 6,918,708
Cash and cash equivalents				
Unrestricted cash on hand	\$ -	\$ 500	\$ -	\$ 500
Unrestricted cash and cash equivalents on deposit	52,572	4,361,191	1,605,701	6,019,464
Restricted cash and cash equivalents on deposit	-	567,142	331,602	898,744
Total cash and cash equivalents	\$ 52,572	\$ 4,928,833	\$ 1,937,303	\$ 6,918,708

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, 2017

	Urban Development	Electric	Water and Sewer	Total
Reconciliation of operating income (loss) to net cash provided (used)				
by operating activities				
Operating income (loss)	\$ (1,680)	\$ 1,041,745	\$ 739,515	\$ 1,779,580
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	280,980	627,447	908,427
Change in pension related balances	-	182,114	133,364	315,478
Other receipts (payments)	-	9,681	9,350	19,031
In lieu of tax transfers	-	(815,748)	(309,989)	(1,125,737)
Loss on bond refunding	-	-	(18,668)	(18,668)
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	-	31,580	21,890	53,470
(Increase) decrease in materials and supplies	-	(144,941)	(30,439)	(175,380)
(Increase) decrease in prepayments and other current assets	-	47,599	(3,410)	44,189
(Increase) decrease in due from other funds	-	105,571	(785)	104,786
Increase (decrease) in accounts payable and accrued expenses	-	78,726	(17,633)	61,093
Increase (decrease) in customer deposits	-	26,786	3,552	30,338
Increase (decrease) in due to other funds	-	(30,766)	(105,527)	(136,293)
Net cash provided (used) by operating activities	<u>\$ (1,680)</u>	<u>\$ 813,327</u>	<u>\$ 1,048,667</u>	<u>\$ 1,860,314</u>

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

CITY OF ABERDEEN, MISSISSIPPI
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2017

Assets

Cash and cash equivalents

\$ 175,054

Total assets

\$ 175,054

Liabilities and fund balances

Liabilities:

Due to other funds

\$ 175,054

Total liabilities

\$ 175,054

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

CITY OF ABERDEEN, MISSISSIPPI
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
September 30, 2017

Revenues

Tax redemption receipts	\$ 327,909
Other revenues	919
Interest earnings	<u>135</u>
Total revenues	<u>328,963</u>

Expenditures

Tax redemption reimbursements	328,249
Other operating expenses	<u>714</u>
Total expenditures	<u>328,963</u>

Change in net position

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

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

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of the given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
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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, 2017, the City had certificates of deposit greater than three months in the amount of \$778,650.

Receivables and Payables

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

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

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

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

Prepaid Items

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

CITY OF ABERDEEN, MISSISSIPPI
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Restricted Assets

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

Capital Assets

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

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

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

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

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

Deferred Outflows/Inflows of Resources

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

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

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

CITY OF ABERDEEN, MISSISSIPPI
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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, 2017 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

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
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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 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. The City currently has no tax abatement programs to report in the 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 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

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

due and payable in the current period and therefore are not reported in the funds." The details of this \$1,486,023 are as follows:

Bonds payable	\$ 840,000
Capital leases payable	414,014
Accrued leave	55,651
Notes payable	<u>176,358</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>\$ 1,486,023</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 \$5,806,811 are as follows:

Land	\$ 331,364
Buildings and improvements	1,317,463
Infrastructure	3,521,680
Other capital assets	<u>636,304</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 5,806,811</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 (\$64,667) difference are as follows:

Capital outlay	346,836
Depreciation expense	(358,950)
Book value of assets disposed	<u>(52,553)</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (64,667)</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

The City's policy is to not allow expenditures to exceed budgetary amounts at the total fund expenditure level without obtaining additional appropriation approval from the Board. This policy

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NOTES TO FINANCIAL STATEMENTS
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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	\$ 2,059,597	\$ -	\$ -	\$ 172,441	\$ 2,232,038
Accounts	44,548	1,692,744	236,707	23,746	1,997,745
Court fines	1,083,791	-	-	-	1,083,791
Rents	-	59,681	-	-	59,681
Other	-	14,043	-	-	14,043
Interest	-	-	647	-	647
Gross receivables	3,187,936	1,766,468	237,354	196,187	5,387,945
Less: Allowance for uncollectibles	(989,921)	(88,715)	(11,108)	-	(1,089,744)
Net total receivables	<u>\$ 2,198,015</u>	<u>\$ 1,677,753</u>	<u>\$ 226,246</u>	<u>\$ 196,187</u>	<u>\$ 4,298,201</u>

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the City had \$108 thousand in unavailable revenue related to court fines receivable and \$2.14 million in unavailable revenue related to property taxes receivable.

CITY OF ABERDEEN, MISSISSIPPI
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September 30, 2017

C. Capital Assets

Capital asset activity for the year ended September 30, 2017 was as follows:

	Beginning Balance	Additions	Disposals	Reclassifications	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 331,364	\$ -	\$ -	\$ -	\$ 331,364
Total capital assets, not being depreciated	<u>331,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>331,364</u>
Capital assets being depreciated:					
Buildings and improvements	1,676,501	-	-	-	1,676,501
Infrastructure	8,437,443	-	-	-	8,437,443
Other capital assets	1,939,987	346,836	(234,353)	-	2,052,470
Total capital assets being depreciated	<u>12,053,931</u>	<u>346,836</u>	<u>(234,353)</u>	<u>-</u>	<u>12,166,414</u>
Less accumulated depreciation for:					
Buildings and improvements	303,216	55,822	-	-	359,038
Infrastructure	4,764,296	151,467	-	-	4,915,763
Other capital assets	1,446,305	151,661	(181,800)	-	1,416,166
Total accumulated depreciation	<u>6,513,817</u>	<u>358,950</u>	<u>(181,800)</u>	<u>-</u>	<u>6,690,967</u>
Total capital assets being depreciated, net	<u>5,540,114</u>	<u>(12,114)</u>	<u>(52,553)</u>	<u>-</u>	<u>5,475,447</u>
Governmental activities capital assets, net	<u>\$ 5,871,478</u>	<u>\$ (12,114)</u>	<u>\$ (52,553)</u>	<u>\$ -</u>	<u>\$ 5,806,811</u>
	Beginning Balance	Additions	Disposals	Reclassifications	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 184,795	\$ -	\$ -	\$ -	\$ 184,795
Distribution plant	15,216	-	-	-	15,216
Construction in progress	103,507	-	(9,856)	-	93,651
Total capital assets, not being depreciated	<u>303,518</u>	<u>-</u>	<u>(9,856)</u>	<u>-</u>	<u>293,662</u>
Capital assets being depreciated:					
Electric distribution plant	8,789,018	72,554	(5,991)	(95,569)	8,760,012
General plant	1,948,074	-	-	3,544	1,951,618
Water distribution system	16,639,109	-	(1,415,750)	-	15,223,359
Wastewater treatment	5,125,500	-	-	-	5,125,500
Buildings and improvements	203,305	-	-	-	203,305
Machinery and equipment	1,103,790	166,279	-	-	1,270,069
Total capital assets being depreciated	<u>33,808,796</u>	<u>238,833</u>	<u>(1,421,741)</u>	<u>(92,025)</u>	<u>32,533,863</u>

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CITY OF ABERDEEN, MISSISSIPPI
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September 30, 2017

Less accumulated depreciation for:					
Electric distribution plant	5,394,576	249,042	(39,590)	(95,184)	5,508,844
General plant	1,327,533	144,870	-	-	1,472,403
Water distribution system	8,577,475	335,246	(1,415,750)	-	7,496,971
Wastewater treatment	1,974,601	127,917	-	-	2,102,518
Buildings and improvements	198,753	-	-	-	198,753
Machinery and equipment	936,233	164,284	-	-	1,100,517
Total accumulated depreciation	<u>18,409,171</u>	<u>1,021,359</u>	<u>(1,455,340)</u>	<u>(95,184)</u>	<u>17,880,006</u>
Total capital assets being depreciated, net	<u>15,399,625</u>	<u>(782,526)</u>	<u>33,599</u>	<u>3,159</u>	<u>14,653,857</u>
Business-type activities capital assets, net	<u>15,703,143</u>	<u>(782,526)</u>	<u>23,743</u>	<u>3,159</u>	<u>14,947,519</u>
Total capital assets, net	<u>\$ 21,574,621</u>	<u>\$ (794,640)</u>	<u>\$ (28,810)</u>	<u>\$ 3,159</u>	<u>\$ 20,754,330</u>

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

Governmental activities:	
General government	\$ 4,926
Public safety	36,420
Public works	314,406
Health, culture, recreation, and welfare	3,198
Total depreciation expense - governmental activities	<u>358,950</u>
Business-type activities:	
Electric	280,980
Water and sewer	627,447
Total depreciation expense - business-type activities	<u>908,427</u>
Total depreciation	<u>\$ 1,267,377</u>

For the Electric Department, depreciation expense amounted to \$280,980 with an additional \$112,932 charged to transportation expenses for the fiscal year ended June 30, 2017.

CITY OF ABERDEEN, MISSISSIPPI
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September 30, 2017

D. Long-term Debt

General long-term debt at September 30, 2017 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	840,000
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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.	176,358
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Capital lease payable:

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.	31,542
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2014 Ford Truck, interest at 2.40% due monthly maturing in April 2018	2,123
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Police Cars, interest at 2.50% due annually maturing in September 2021	62,087
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Sanitation vehicle, interest at 2.14% due annually maturing in July 2021	13,463
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Garbage Truck, interest at 2.29% due annually maturing in July 2022	181,299
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Knuckleboom vehicle, interest at 2.69% due annually maturing in September 2022	<u>123,500</u>
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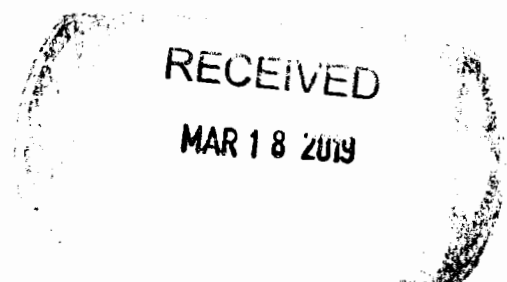
Total long-term debt - governmental activities	<u>1,430,372</u>
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CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

Proprietary fund long-term debt at September 30, 2017 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.	139,005
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.	104,339
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.	94,668
Capital equipment loan through BancorpSouth, dated 11/21/14 due in monthly installments of \$599 including interest at 2.09% through November 2017.	1,195
Capital equipment loan through BancorpSouth, dated 11/19/13 due in monthly installments of \$818 including interest at 2.24% through November 2017.	1,630
Capital equipment loan through BancorpSouth, dated 6/29/17 due in monthly installments of \$2,903 including interest at 2.34% through June 2021.	124,953
Joint cost liability due to electric department, payments monthly through 2018	51,689
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	2,005,000
General Obligation Bonds, Series 2011 due in annual installments of \$85,603 to \$90,725, including interest at 2%-3% due through September 2021	<u>334,583</u>
Total long-term debt - water and sewer activities	<u>2,857,062</u>



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Electric fund long-term debt at June 30, 2017 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 363,402

Total long-term debt - electric activities 363,402

Total long-term debt - proprietary fund activities 3,220,464

Total long-term debt 4,650,836

Other corporate liabilities 121,650

Accrued annual leave - governmental funds 55,651

Accrued annual leave - proprietary funds 22,649

Total noncurrent liabilities \$ 4,850,786

The following is a summary of long-term debt activity for the year ended September 30, 2017:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	\$ 203,060	\$ 310,700	\$ 99,746	\$ 414,014	\$ 112,626
Notes	307,873	-	131,515	176,358	11,440
General obligation bonds	940,000	-	100,000	840,000	105,000
Compensated absences	50,568	5,083	-	55,651	55,651
	<u>\$ 1,501,501</u>	<u>\$ 315,783</u>	<u>\$ 331,261</u>	<u>\$ 1,486,023</u>	<u>\$ 284,717</u>
Business-type activities:					
Notes	\$ 622,257	\$ 132,900	\$ 116,028	\$ 639,129	\$ 116,533
General obligation bonds	411,599	-	77,016	334,583	77,016
Revenue bonds	2,529,042	-	160,640	2,368,402	162,985
Compensated absences	23,432	-	783	22,649	22,417
	<u>\$ 3,586,330</u>	<u>\$ 132,900</u>	<u>\$ 354,467</u>	<u>\$ 3,364,763</u>	<u>\$ 378,951</u>

The annual requirements to amortize all long-term debt and obligations outstanding, excluding compensated absences, as of September 30, 2017, 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
2018	352,615	16,903	184,671	33,600	162,985	62,460	81,084	8,358	781,355	121,321
2019	149,100	12,279	192,327	29,400	170,329	59,785	80,883	6,413	592,639	107,877
2020	88,526	8,923	199,983	25,000	172,673	56,352	82,854	4,443	544,036	94,718
2021	43,488	6,687	207,602	20,400	180,017	52,121	78,902	2,439	510,009	81,647
2022	18,150	6,559	125,000	15,600	182,398	47,771	58,750	725	384,298	70,655
2023 - 2027	99,376	22,129	265,000	16,000	560,000	185,488	-	-	924,376	223,617
2028 - 2032	78,381	7,212	-	-	645,000	98,713	-	-	723,381	105,925
2033 - 2035	17,392	638	-	-	295,000	4,794	-	-	312,392	5,432
	<u>\$ 847,028</u>	<u>\$ 81,330</u>	<u>\$ 1,174,583</u>	<u>\$ 140,000</u>	<u>\$ 2,368,402</u>	<u>\$ 567,484</u>	<u>\$ 382,473</u>	<u>\$ 22,378</u>	<u>\$ 4,772,486</u>	<u>\$ 811,192</u>

The City complied with all significant debt covenants and restrictions.

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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, 2017, is as follows (Electric Fund amounts are shown at 9/30/17 below and 6/30/17 on the face of the financials):

Receivable Fund	Payable Fund	Amount
Electric Fund	General Fund	\$ 23,230
General Fund	Street Pavement	172
General Fund	Water/Sewer Fund	190,309
Port Maintenance Fund	General Fund	1
General Fund	Fiduciary Funds	67,451
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>\$ 462,374</u>

The following is a summary of transfers during the year ended September 30, 2017:

Transfers From	Transfers To	Amount
Electric Fund	General Fund	815,748
Water and Sewer Fund	General Fund	309,989
Total		<u>\$ 1,125,737</u>

The purpose of the \$1,125,737 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.

CITY OF ABERDEEN, MISSISSIPPI
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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.

C. Employee Retirement Systems and Pension Plans

June 30, 2016 Measurement Date – Aberdeen Electric Department

Plan Description: The City of Aberdeen, Mississippi contributes to the Public Employees' Retirement Systems of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS is a defined benefit cost-sharing plan administered by the PERS System that provides retirement benefits to all eligible employees. Membership in PERS is a condition of employment granted upon hiring for qualifying employees including officials of the State of Mississippi (the State), state universities, community and junior colleges, and teachers and employees of the public school districts, and other public employees whose employers have elected to participate. For those persons employed by political subdivisions and instrumentalities of the State, membership is contingent upon approval of the entity's participation in PERS by the System's Board of Trustees. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees. Current rates are 15.75 percent for employer contributions and 9.00 for members. PERS employers contributed \$1,021.3 million and members contributed \$572.6 million for fiscal year 2016.

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

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
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the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

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

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

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

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
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Tier 4	July 1, 2011, or later	8 years	30 years at any age or age 60 and vested	2 percent per year for up to 30 years, plus 2.5 percent per year for each year over 30, with an actuarial reduction for each year of creditable service below 30 or for each year in age below age 65, whichever is less; No minimum monthly benefit	33 years at any age	Tiered Disability Plan
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The following table summarizes the membership of the system as of June 30, 2016 (Measurement Date):

	<u>Plan Total</u>	<u>Utility</u>
Inactive currently receiving benefits	\$ 99,483	\$ 8,455
Inactive entitled but not yet receiving benefits	142,635	12,123
Active members	154,104	13,098
Total	<u>\$ 396,222</u>	<u>\$ 33,676</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, 2017 and 2016 respectively, were \$101,369 and \$76,883.

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

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.

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

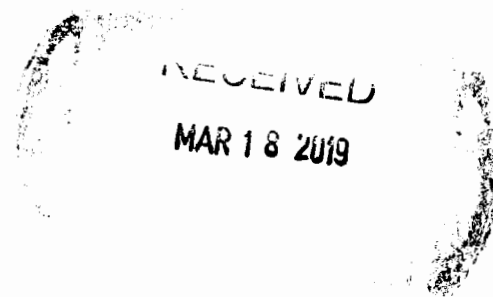
CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
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(expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term 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 Allocation	Long-Term 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.

Changes in Net Pension Liability:



CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2015	3,139,074	1,975,361	961,773
Changes for the year:			
Service cost	62,431	-	62,431
Interest	257,708	-	257,708
Differences between expected and actual experience	35,144	-	35,144
Change in assumptions	144,440	-	144,440
Contributions - employer	-	86,800	(86,800)
Contributions - employee	-	48,664	(48,664)
Net investment income	-	11,126	(11,126)
Benefit payments, including refunds of employee contributions	(210,835)	(210,835)	-
Administrative expense	-	(1,329)	1,329
Transfers among employers	-	-	-
Net changes	288,888	(65,574)	354,462
Balances at 6/30/2016	3,427,962	1,909,787	1,518,175

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	\$ 1,946,645	\$ 1,518,175	\$ 1,162,690

(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, 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 June 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, 2017, the Department recognized pension expense of \$186,848. At June 30, 2017, 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, 2017

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,346	\$ -
Changes of assumptions	71,570	4,033
Net difference between projected and actual earnings on pension plan investments	102,849	-
Employer contributions subsequent to the measurement date	101,369	-
Total	<u>\$ 318,134</u>	<u>\$ 4,033</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	\$ 73,855
2018	55,607
2019	53,277
2020	29,993
2021	-
Thereafter	\$ -

June 30, 2017 Measurement Date – City of Aberdeen, MS (Excluding Aberdeen Electric Department)

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

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

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

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

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

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
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

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

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

The following table summarizes the membership of the system as of September 30, 2017 (June 30, 2017 Measurement Date):

	<u>Plan Total</u>
Inactive Members or Beneficiaries Currently Receiving Benefits	102,260
Inactive Members Assumed Eligible for a Benefit at Retirement Date	16,682
Inactive Members Assumed Not to Receive Service Retirement Benefits	50,170
Active members	<u>152,382</u>
Total	<u>321,494</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

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CITY OF ABERDEEN, MISSISSIPPI
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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, 2017, was \$469,758.

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

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

* Net of pension plan expense

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

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

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

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

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

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability:

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2016	14,310,580	8,103,404	6,207,176
Changes for the year:			
Service cost	274,855	-	274,855
Interest	1,149,022	-	1,149,022
Differences between expected and actual experience	(62,826)	-	(62,826)
Change in Assumptions	308,514	-	308,514
Contributions - employer	-	371,214	(371,214)
Contributions - employee	-	207,653	(207,653)
Net investment income	-	1,251,657	(1,251,657)
Benefit payments, including refunds of employee contributions	(944,029)	(944,029)	-
Administrative expense	-	(6,213)	6,213
Other changes	-	(2,846)	2,846
Net changes	725,536	877,436	(151,900)
Balances at 6/30/2017	15,036,116	8,980,840	6,055,276

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	\$ 7,941,899	\$ 6,055,276	\$ 4,488,969

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions: For the year ended June 30, 2017, the City recognized pension expense of \$742,249 (\$669,450 – City and \$72,799 – Water/Sewer). At September 30, 2016, the City reported deferred

CITY OF ABERDEEN, MISSISSIPPI
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September 30, 2017

outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 86,995	\$ 44,184
Changes of assumptions	134,585	10,318
Net difference between projected and actual earnings on pension plan investments	-	77,745
Employer contributions subsequent to the measurement date	98,343	-
Total	<u>\$ 319,923</u>	<u>\$ 132,247</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:	
2018 \$	(105,323)
2019	(95,335)
2020	(5,641)
2021	116,966
Thereafter \$	-

D. Prior-Period Adjustment

In 2016, the City recorded \$367,841 of "employer contributions subsequent to the measurement date" as deferred outflows of resources. Due to the City's portion of the pension plan being reported based on "current year" measurement date instead of a one-year lookback measurement date, there should have been only 3 months of contributions instead of 12 months. This error caused an adjustment of \$249,902 to recognize pension expense for the 9 months of contributions (September 2016 through June 2016) that should have been included in pension expense but were deferred.

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, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 129,033	\$ 91,099	\$ 110,707	\$ 65,098
Contributions in relation to the actuarially determined contribution	<u>101,369</u>	<u>76,883</u>	<u>78,755</u>	<u>76,216</u>
Contribution deficiency (excess)	\$ <u>27,664</u>	\$ <u>14,216</u>	\$ <u>31,952</u>	\$ <u>(11,118)</u>
Covered-employee payroll	\$ 572,574	\$ 453,389	\$ 444,528	\$ 462,039
Contributions as a percentage of covered - employee payroll	17.70%	16.96%	17.72%	16.50%

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

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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, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 62,431	\$ 50,712	\$ 53,989
Interest	257,708	215,885	218,130
Changes in benefit terms	-	-	-
Differences between actual & expected experience	35,144	24,493	20,388
Change of assumptions	144,440	92,858	-
Benefit payments, including refunds of employee contributions	(210,835)	(176,054)	(175,907)
Net change in total pension liability	288,888	207,894	116,600
Total pension liability - beginning	3,139,074	2,931,180	2,814,580
Total pension liability - ending (a)	<u>3,427,962</u>	<u>3,139,074</u>	<u>2,931,180</u>
Plan fiduciary net position			
Contributions - employer	86,800	78,755	76,216
Contributions - employee	48,664	42,001	43,516
Net investment income	11,126	62,308	309,288
Benefit payments, including refunds of employee contributions	(210,835)	(176,054)	(175,907)
Administrative expense	(1,329)	(1,056)	(1,057)
Net change in plan fiduciary net position - beginning	(65,574)	5,954	252,056
Plan fiduciary net position - beginning	1,975,361	1,969,407	1,717,351
Plan fiduciary net position - ending (b)	<u>1,909,787</u>	<u>1,975,361</u>	<u>1,969,407</u>
Net pension liability (asset) - ending (a) - (b)	1,518,175	1,163,713	961,773
Plan fiduciary net position as a percentage of total pension liability	55.71%	62.93%	67.19%
Covered - employee payroll	511,870	444,528	462,039
Net pension liability (asset) as a percentage of covered - employee payroll	33.72%	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.

See independent auditor's report.

**CITY OF ABERDEEN, MISSISSIPPI ELECTRIC DEPARTMENT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEE RETIREMENT SYSTEM OF MISSISSIPPI**

For the Year Ended September 30, 2017

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

Changes of assumptions.

2015

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

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

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

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

2016

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

Changes in benefit provisions

2016

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

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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, 2017

	2017	2016	2015
Total pension liability			
Service cost	\$ 274,855	\$ 255,253	\$ 226,417
Interest	1,149,022	1,053,658	963,875
Changes in benefit terms	-	-	-
Differences between actual & expected experience	(62,826)	143,688	109,356
Change of assumptions	308,514	152,781	612,147
Benefit payments, including refunds of employee contributions	(944,029)	(862,014)	(786,041)
Net change in total pension liability	725,536	743,365	1,125,754
Total pension liability - beginning	14,310,580	13,567,215	12,441,461
Total pension liability - ending (a)	<u>15,036,116</u>	<u>14,310,580</u>	<u>13,567,215</u>
Plan fiduciary net position			
Contributions - employer	371,214	354,886	334,933
Contributions - employee	207,653	198,968	187,523
Net investment income	1,251,657	45,487	278,192
Benefit payments, including refunds of employee contributions	(944,029)	(862,014)	(786,041)
Administrative expense	(6,213)	(5,270)	(4,545)
Other changes	(2,846)	(165)	(168)
Net change in plan fiduciary net position	877,436	(268,108)	9,894
Plan fiduciary net position - beginning	8,103,404	8,371,512	8,361,618
Plan fiduciary net position - ending (b)	<u>8,980,840</u>	<u>8,103,404</u>	<u>8,371,512</u>
Net pension liability (asset) - ending (a) - (b)	6,055,276	6,207,176	5,195,703
Plan fiduciary net position as a percentage of total pension liability	67.42%	76.60%	62.06%
Covered - employee payroll	2,342,186	2,024,995	1,984,712
Net pension liability (asset) as a percentage of covered - employee payroll	38.68%	32.62%	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.

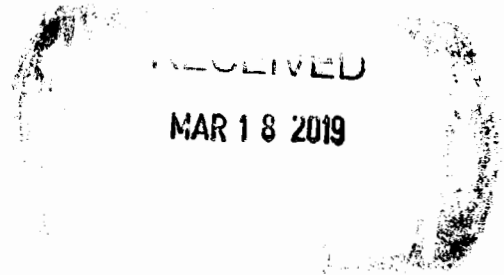
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CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE RETIREMENT SYSTEM OF MISSISSIPPI

For the Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 373,402	\$ 368,894	\$ 330,733
Contributions in relation to the actuarially determined contribution	<u>373,402</u>	<u>367,841</u>	<u>329,611</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 1,053</u>	<u>\$ 1,122</u>
Covered-employee payroll	\$ 2,370,804	\$ 2,342,186	\$ 2,024,995
Contributions as a percentage of covered - employee payroll	15.75%	15.71%	16.28%

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



See independent auditor's report.

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEE RETIREMENT SYSTEM OF MISSISSIPPI
For the Year Ended September 30, 2017

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.

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, 2017

	Budgeted Amounts		Actual	Variance- Over
	Original	Final		(Under)
Revenues:				
Property taxes	1,947,374	1,947,374	2,002,214	54,840
Intergovernmental	1,407,222	1,407,222	1,414,429	7,207
Charges for services	556,700	556,700	544,433	(12,267)
Licenses and permits	10,000	10,000	2,455	(7,545)
Rents	22,500	22,500	28,402	5,902
Fines	83,700	83,700	47,804	(35,896)
Grant proceeds	11,500	11,500	4,489	(7,011)
Interest	200	200	348	148
Other	94,301	94,301	215,263	120,962
Total revenues	<u>4,133,497</u>	<u>4,133,497</u>	<u>4,259,837</u>	<u>126,340</u>
Expenditures:				
Current:				
General government	1,754,368	1,754,368	1,599,103	(155,265)
Public safety	1,682,532	1,682,532	1,615,466	(67,066)
Public works	1,385,680	1,385,680	1,268,690	(116,990)
Health, culture, and recreation	275,171	275,171	302,702	27,531
Debt service:				
Principal	161,483	161,483	214,256	52,773
Interest	-	-	6,359	6,359
Total expenditures	<u>5,259,234</u>	<u>5,259,234</u>	<u>5,006,576</u>	<u>(252,658)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,125,737)</u>	<u>(1,125,737)</u>	<u>(746,739)</u>	<u>378,998</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, 2017

	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Other financing sources (uses):				
In lieu of tax payments	1,125,737	1,125,737	1,125,737	-
Total other financing				
sources (uses)	1,125,737	1,125,737	1,125,737	-
 Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	378,998	<u>\$ 378,998</u>
 Fund balance - beginning			344,158	
 Fund balance - ending			<u>\$ 723,156</u>	
 Reconciliation to fund financial statements:				
Revenues over (under) expenditures - budgetary			\$ 378,998	
Revenues and expenditures not included in budgetary statements:				
S&J escrow fund - interest			31	
Street pavement fund- interest			10	
HOME grant fund - grant receipts			2,800	
HOME grant fund - expenses			(6,200)	
Net change in fund balance - (page 16)			<u>\$ 375,639</u>	
 Fund balance - budgetary			\$ 723,156	
Assets related to Prairie Construction fund			10,642	
Assets related to S&J escrow fund			61,285	
Assets related to street pavement fund			73,014	
Assets related to HOME Grant fund			39	
Assets related to Rural Development clearing			13	
Liabilities related to street pavement fund			(36,000)	
Fund balance - (page 14)			<u>\$ 832,149</u>	

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SUPPLEMENTARY INFORMATION SECTION

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF WATER AND SEWER REVENUES AND EXPENSES
For the Fiscal Year Ended September 30, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues			
Charges for sales and services (net of uncollectible accounts \$8,086 Water and \$3,633 Sewer)	\$ 1,739,315	\$ 746,681	\$ 2,485,996
Other operating revenues	<u>30,399</u>	<u>13,319</u>	<u>43,718</u>
Total operating revenues	<u>1,769,714</u>	<u>760,000</u>	<u>2,529,714</u>
Operating expenses			
Operations	322,487	144,886	467,373
Maintenance	521,139	174,240	695,379
Depreciation	<u>432,938</u>	<u>194,509</u>	<u>627,447</u>
Total operating expenses	<u>1,276,564</u>	<u>513,635</u>	<u>1,790,199</u>
Operating income (loss)	<u>493,150</u>	<u>246,365</u>	<u>739,515</u>
Nonoperating income (expense)			
Interest earned	3,768	1,693	5,461
Loss on bond refunding	(1,121)	-	(1,121)
Interest expense	<u>(55,517)</u>	<u>(24,943)</u>	<u>(80,460)</u>
Total nonoperating income (expense)	<u>(52,870)</u>	<u>(23,250)</u>	<u>(76,120)</u>
Change in net position before transfers and capital contributions	440,280	223,115	663,395
Transfers and capital contributions			
In lieu of tax transfer	(213,892)	(96,097)	(309,989)
Tap fees	<u>8,044</u>	<u>1,306</u>	<u>9,350</u>
Total transfers and capital contributions	<u>(205,848)</u>	<u>(94,791)</u>	<u>(300,639)</u>
Change in net position	<u>\$ 234,432</u>	<u>\$ 128,324</u>	<u>\$ 362,756</u>

See independent auditor's report.

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended September 30, 2017

Federal Grantor/Pass-Through Grantor <u>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 Transportation Historic Preservation Fund Grant-In Aid	15.904	PMM-17(001)	\$ 4,489
Department of Housing and Urban Development HOME Investment Partnership Program	14.239	1226-M14-SG-280-101	<u>2,800</u>
Total Expenditures of Federal Awards			<u>\$ 7,289</u>

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CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For The Fiscal Year Ended September 30, 2017

	<u>Project or Grant Number</u>	<u>Expenditures</u>
Mississippi Department of Transportation Ports & Waterways Multimodal Grant	PMM-15(001)	<u>340,343</u>
Total Expenditures of State Financial Assistance		<u>\$ 340,343</u>

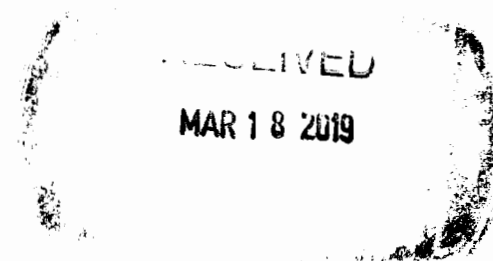
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CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF SURETY BONDS
September 30, 2017

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

See the independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION





Alexander Thompson Arnold PLLC

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards**

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aberdeen, Mississippi (the City), as of and for the year ended September 30, 2017 (Electric Dept. is as of June 30, 2017), and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 10, 2018.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and recommendations as item 2017-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and recommendations as item 2017-001 to be a significant deficiency.

Compliance and Other Matters

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

Aberdeen's Response to Findings

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

Purpose of this Report

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

Alexander Thompson Arnold, PLLC

Jackson, Tennessee
April 10, 2018

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

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

We have audited the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Aberdeen, Mississippi (the City) as of and for the year ended September 30, 2017 (Electric Dept. is as of June 30, 2017), and have issued our report thereon dated April 6, 2018. 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
April 10, 2018

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
September 30, 2017

FINANCIAL STATEMENT FINDINGS

Current Year Findings:

2017-001 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.

2017-002 Internal Control Deficiency (Material Weakness)

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

Criteria: Multiple criteria were noted as follows:

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

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

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

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

Time cards – Auditors noted instances of employees approving their own time cards with no verification of secondary oversight.

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CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
September 30, 2017

Electronic transfer – Auditor noted no policy or control in place concerning electronic transfer.

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

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

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

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CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
September 30, 2017

Prior Year Findings:

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