

CITY OF ABERDEEN, MISSISSIPPI
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR
ENDED SEPTEMBER 30, 2020

CITY OF ABERDEEN, MISSISSIPPI

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INTRODUCTORY SECTION

**CITY OF ABERDEEN, MISSISSIPPI
DIRECTORY**

September 30, 2020

ELECTED OFFICIALS

Maurice Howard, Mayor
Nicholas Holliday, Alderman
Lady B. Garth, Alderwoman
Edward Haynes, Alderman
Carolyn Odom, Alderwoman
John Allen, Alderman

COUNSEL

Robert Faulks
Aberdeen, Mississippi

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aberdeen, Mississippi, (the City) as of and for the year ended September 30, 2020 (Electric Dept. is as of June 30, 2020), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aberdeen, Mississippi, as of September 30, 2020 (Electric Dept. is as of June 30, 2020), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2021 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.

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

Jackson, Tennessee
May 10, 2021

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, 2020.

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 \$19.09 million (net position). Of this amount, \$2.10 million represents unrestricted net position.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$2.41 million. This was an increase of \$304 thousand, or 14.41%, from the prior year's fund balances. Of the ending fund balances, \$1.51 million was unassigned and available for current use by the City. There were also assigned balances totaling \$72 thousand and a nonspendable balance of \$26 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 \$898 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 eleven 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 50 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 \$19.10 million at the close of the most recent fiscal year. The largest portion of the City's net position (79.11%) 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 \$1.89 million at the close of the fiscal year. Of the remaining balances, \$15.10 million is net investment in capital assets and \$2.10 million represents unrestricted net position.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 5,362,818	\$ 5,069,464	\$ 12,328,915	\$ 11,842,591	\$ 17,691,733	\$ 16,912,055
Capital assets	5,406,089	5,685,164	15,237,258	15,737,473	20,643,347	21,422,637
Total assets	<u>10,768,907</u>	<u>10,754,628</u>	<u>27,566,173</u>	<u>27,580,064</u>	<u>38,335,080</u>	<u>38,334,692</u>
Deferred outflows of resources	466,319	161,671	221,883	159,297	688,202	320,968
Long-term liabilities	8,259,895	7,978,166	6,610,840	7,028,543	14,870,735	15,006,709
Other liabilities	312,923	532,366	2,422,994	3,063,278	2,735,917	3,595,644
Total liabilities	<u>8,572,818</u>	<u>8,510,532</u>	<u>9,033,834</u>	<u>10,091,821</u>	<u>17,606,652</u>	<u>18,602,353</u>
Deferred inflows of resources	<u>2,302,906</u>	<u>2,355,786</u>	<u>23,406</u>	<u>54,660</u>	<u>2,326,312</u>	<u>2,410,446</u>
Net position:						
Net investment in capital assets	3,614,551	3,553,507	11,487,743	11,431,726	15,102,294	14,985,233
Restricted	804,865	698,071	1,084,984	964,626	1,889,849	1,662,697
Unrestricted	(4,059,914)	(4,201,597)	6,158,089	5,196,528	2,098,175	994,931
Total net position	<u>\$ 359,502</u>	<u>\$ 49,981</u>	<u>\$ 18,730,816</u>	<u>\$ 17,592,880</u>	<u>\$ 19,090,318</u>	<u>\$ 17,642,861</u>

Statement of Activities - Expenses in the governmental activities exceeded revenues by \$4.80 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 \$1.14 million change in net position. General government revenues of \$4.16 million, and transfers from the utility fund of \$953 thousand helped to show an increase of \$310 thousand for the governmental activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 1,004,159	\$ 912,016	\$ 16,293,667	\$ 17,775,717	\$ 17,297,826	\$ 18,687,733
Operating grants and contributions	96,493	178,015	20,426	8,607	116,919	186,622
Capital grants and contributions	-	92,050	-	-	-	92,050
General revenues:						
Property taxes	2,443,420	2,507,039	-	-	2,443,420	2,507,039
Intergovernmental	757,249	535,500	-	-	757,249	535,500
Sales tax	922,456	911,780			922,456	911,780
Other sources	35,589	42,875	364,320	63,148	399,909	106,023
Unrestricted interest	1,114	1,582	18,145	21,179	19,259	22,761
Total revenues	<u>\$ 5,260,480</u>	<u>\$ 5,180,857</u>	<u>\$ 16,696,558</u>	<u>\$ 17,868,651</u>	<u>\$ 21,957,038</u>	<u>\$ 23,049,508</u>
Expenses:						
General government	\$ 2,276,363	\$ 2,651,746	\$ -	\$ -	\$ 2,276,363	\$ 2,651,746
Public safety	1,797,714	1,841,387	-	-	1,797,714	1,841,387
Public works	1,477,956	2,099,769	-	-	1,477,956	2,099,769
Health, culture, welfare, and recreation	186,379	447,704	-	-	186,379	447,704
Economic development	86,561	93,556	-	-	86,561	93,556
Debt service	78,567	75,683	-	-	78,567	75,683
Urban development	-	-	-	18,511	-	18,511
Electric	-	-	12,830,014	14,488,819	12,830,014	14,488,819
Water and Sewer	-	-	1,776,027	1,971,455	1,776,027	1,971,455
Total expenses	<u>5,903,540</u>	<u>7,209,845</u>	<u>14,606,041</u>	<u>16,478,785</u>	<u>20,509,581</u>	<u>23,688,630</u>
Excess/(deficiency) of revenues over/under expenses	(643,060)	(2,028,988)	2,090,517	1,389,866	1,447,457	(639,122)
Transfers	952,581	952,581	(952,581)	(952,581)	-	-
Increase in net position	<u>309,521</u>	<u>(1,076,407)</u>	<u>1,137,936</u>	<u>437,285</u>	<u>1,447,457</u>	<u>(639,122)</u>
Net position - beginning	49,981	1,126,388	17,592,880	17,155,595	17,642,861	18,281,983
Net position - ending	<u>\$ 359,502</u>	<u>\$ 49,981</u>	<u>\$ 18,730,816</u>	<u>\$ 17,592,880</u>	<u>\$ 19,090,318</u>	<u>\$ 17,642,861</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

The general fund accounts for more than 87.51% of governmental fund revenues excluding debt proceeds and other financing sources. Accordingly, this discussion will focus on the general fund.

General fund balance was \$1.60 million at the end of the current fiscal year. At year end, unassigned fund balance has a balance of \$1.50 million, \$72 thousand is assigned and \$26 thousand 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 \$18.73 million. Of the balance, \$11.49 million is net investment in capital assets, \$1.08 million is

MANAGEMENT'S DISCUSSION AND ANALYSIS

restricted for debt service and \$6.16 million is unrestricted. There was an overall increase in net position for proprietary funds of \$1.14 million during the current year.

Budgetary highlights - Actual revenues and other financing sources were over the final budgeted amounts by \$2 thousand in the general fund. Property tax revenue was over in the amount of \$54 thousand. Expenditures were \$193 thousand under budget in the general fund. Public works expenses were over budget by \$39 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2020, the City had invested \$20.64 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 32 of this report.

Long-term debt - At the end of the current fiscal year, the City had total debt outstanding of \$5.54 million. Of this amount, \$3.58 million comprises debt backed by the full faith and credit of the City. The remainder, \$1.95 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 34 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The unemployment rate for Monroe County is currently 5.8% which was an increase compared to the 5.3% in 2019. The state's average unemployment rate is currently 6.1% up from 5.5% in 2019. The national average unemployment rate is currently 6.6%. All of the rates are from labor statistics released in June 2020, respectively.

All of these factors were considered in preparing the City's budget for the 2021 fiscal year. There are currently capital projects planned and ongoing for fiscal year 2021.

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, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Cash on hand	\$ 100	\$ -	\$ 100
Cash and cash equivalents	2,316,075	8,380,515	10,696,590
Receivables:			
Taxes (net of allowances)	2,401,754	-	2,401,754
Accounts - other (net of allowances)	91,697	1,552,749	1,644,446
Accounts - court fines (net of allowances)	128,786	-	128,786
TVA	181,938	-	181,938
Rent receivable	-	54,035	54,035
Other receivables	-	19,928	19,928
Internal Balances	216,849	(522,887)	(306,038)
Prepaid items	25,619	29,719	55,338
Inventories	-	776,569	776,569
Restricted assets:			
Cash and cash equivalents	-	1,107,839	1,107,839
Investments	-	821,262	821,262
Notes receivable	-	109,186	109,186
Capital assets not being depreciated:			
Land	331,364	184,795	516,159
Plant in service	-	15,216	15,216
Construction in progress	-	182,249	182,249
Capital assets net of accumulated depreciation:			
Electric plant	-	3,771,435	3,771,435
General plant	-	380,462	380,462
Water distribution system	-	8,033,444	8,033,444
Wastewater treatment	-	2,669,657	2,669,657
Buildings and improvements	1,170,474	-	1,170,474
Infrastructure	3,148,745	-	3,148,745
Other capital assets	755,506	-	755,506
Total assets	10,768,907	27,566,173	38,335,080
Deferred outflows of resources			
Loss on bond refunding	-	15,306	15,306
Related to pensions	466,319	206,577	672,896
Total deferred outflows of resources	\$ 466,319	\$ 221,883	\$ 688,202

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

CITY OF ABERDEEN, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2020

	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable and other accrued expenses	\$ 174,261	\$ 1,596,208	\$ 1,770,469
Accrued payroll expenses	136,624	29,071	165,695
Accrued interest	2,038	22,855	24,893
Customer deposits	-	767,332	767,332
Advances from Home Insulation Program	-	7,528	7,528
Noncurrent liabilities:			
Net pension liability	6,415,809	2,720,111	9,135,920
Compensated absences	52,548	20,015	72,563
Other corporate liabilities	-	116,755	116,755
Premium on bonds payable	-	4,836	4,836
Due within one year	255,696	538,395	794,091
Due in more than one year	1,535,842	3,210,728	4,746,570
Total liabilities	8,572,818	9,033,834	17,606,652
Deferred inflows of resources			
Related to pensions	-	23,406	23,406
Property taxes - deferred	2,302,906	-	2,302,906
Total deferred inflows of resources	2,302,906	23,406	2,326,312
Net position			
Net investment in capital assets	3,614,551	11,487,743	15,102,294
Restricted for:			
Debt service	65,624	1,084,984	1,150,608
Municipal fire	34,357	-	34,357
Tourism	21,926	-	21,926
Tourism grant	87,500	-	87,500
Infrastructure modernization	55,090	-	55,090
Capital projects	32,994	-	32,994
Industrial purposes	227,078	-	227,078
Port maintenance	280,296	-	280,296
Unrestricted	(4,059,914)	6,158,089	2,098,175
Total net position	\$ 359,502	\$ 18,730,816	\$ 19,090,318

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, 2020

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
Governmental activities:							
General government	\$ 2,276,363	\$ 254,072	\$ -	\$ -	\$ (2,022,291)	\$ -	\$ (2,022,291)
Public safety	1,797,714	141,526	-	-	(1,656,188)	-	(1,656,188)
Public works	1,477,956	491,718	-	-	(986,238)	-	(986,238)
Health, culture, welfare, and recreation	186,379	76,355	96,493	-	(13,531)	-	(13,531)
Economic development	86,561	40,488	-	-	(46,073)	-	(46,073)
Capital outlay	-	-	-	-	-	-	-
Interest on long-term debt	78,567	-	-	-	(78,567)	-	(78,567)
Total governmental activities	<u>5,903,540</u>	<u>1,004,159</u>	<u>96,493</u>	<u>-</u>	<u>(4,802,888)</u>	<u>-</u>	<u>(4,802,888)</u>
Business-type activities:							
Urban development	-	7,409	-	-	-	7,409	7,409
Electric	12,830,014	13,781,498	-	-	-	951,484	951,484
Water and sewer	<u>1,776,027</u>	<u>2,504,760</u>	<u>20,426</u>	<u>-</u>	<u>-</u>	<u>749,159</u>	<u>749,159</u>
Total business-type activities	<u>14,606,041</u>	<u>16,293,667</u>	<u>20,426</u>	<u>-</u>	<u>-</u>	<u>1,708,052</u>	<u>1,708,052</u>
Total primary government	<u>\$ 20,509,581</u>	<u>\$ 17,297,826</u>	<u>\$ 116,919</u>	<u>\$ -</u>	<u>\$ (4,802,888)</u>	<u>\$ 1,708,052</u>	<u>\$ (3,094,836)</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, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
	General revenues:						
	Property taxes - levied for general government including penalties				\$ 2,443,420	\$ -	\$ 2,443,420
	Intergovernmental				757,249	-	757,249
	Sales tax				922,456	-	922,456
	Other sources				35,589	364,320	399,909
	Unrestricted interest income				1,114	18,145	19,259
	Total general revenues				<u>4,159,828</u>	<u>382,465</u>	<u>4,542,293</u>
	Transfers						
	In lieu of taxes in (out)				952,581	(952,581)	-
	Total transfers				<u>952,581</u>	<u>(952,581)</u>	<u>-</u>
	Total general revenues and transfers				<u>5,112,409</u>	<u>(570,116)</u>	<u>4,542,293</u>
	Changes in net position				309,521	1,137,936	1,447,457
	Net position - beginning				<u>49,981</u>	<u>17,592,880</u>	<u>17,642,861</u>
	Net position - ending				<u>\$ 359,502</u>	<u>\$ 18,730,816</u>	<u>\$ 19,090,318</u>

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

CITY OF ABERDEEN, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2020

	Common City/General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash on hand	\$ 100	\$ -	\$ 100
Cash and cash equivalents	1,598,460	717,615	2,316,075
Receivables:			
Taxes (net of allowance for uncollectibles \$42,187)	2,125,627	276,127	2,401,754
Accounts	80,656	11,041	91,697
TVA	181,938	-	181,938
Court fines (net of allowance for uncollectibles \$1,159,076)	128,786	-	128,786
Prepaid items	25,619	-	25,619
Due from other funds	266,692	117,479	384,171
Total assets	<u>\$ 4,407,878</u>	<u>\$ 1,122,262</u>	<u>\$ 5,530,140</u>
Liabilities			
Accounts payable and other accrued expenses	\$ 170,964	\$ 3,297	\$ 174,261
Accrued payroll expenses	136,624	-	136,624
Due to other funds	138,717	28,605	167,322
Total liabilities	<u>446,305</u>	<u>31,902</u>	<u>478,207</u>
Deferred inflows of resources			
TVA revenue - unavailable	181,938	-	181,938
Court fines - unavailable	128,786	-	128,786
Property taxes - unavailable	2,054,280	276,127	2,330,407
Total deferred inflows of resources	<u>2,365,004</u>	<u>276,127</u>	<u>2,641,131</u>
Fund balances:			
Nonspendable	25,619	-	25,619
Restricted for:			
Municipal fire	-	34,357	34,357
Tourism	-	21,926	21,926
Debt service	-	65,624	65,624
Tourism grant	-	87,500	87,500
Infrastructure modernization	-	55,090	55,090
Capital projects	-	32,994	32,994
Industrial purposes	-	227,078	227,078
Port maintenance	-	280,296	280,296
Assigned for:			
Industrial purposes	61,377	-	61,377
Street paving	10,641	-	10,641
Unassigned	1,498,932	9,368	1,508,300
Total fund balances	<u>1,596,569</u>	<u>814,233</u>	<u>2,410,802</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,407,878</u>	<u>\$ 1,122,262</u>	<u>\$ 5,530,140</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, 2020

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

Fund balance - total governmental funds (Page 14)	\$ 2,410,802
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds	5,406,089
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds Property taxes ,court fines and TVA	338,225
Net pension liability is not due in the current period and, therefore, is not reported in the funds.	(6,415,809)
Deferred outflows of resources - pensions are not available to pay current expenditures and, therefore, are unavailable in the funds.	466,319
Payables, such as accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds	(2,038)
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>(1,844,086)</u>
Net position of governmental activities (Page 11)	<u>\$ 359,502</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, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 2,166,285	\$ 277,134	\$ 2,443,419
Intergovernmental	1,431,993	153,715	1,585,708
Charges for services	506,014	-	506,014
Licenses and permits	5,702	-	5,702
Rents	9,801	68,266	78,067
Fines	88,450	35,917	124,367
Grant proceeds	82,576	87,500	170,076
Interest	763	349	1,112
Other	117,352	6,467	123,819
Total revenues	<u>4,408,936</u>	<u>629,348</u>	<u>5,038,284</u>
Expenditures:			
Current:			
General government	1,739,956	-	1,739,956
Public safety	1,799,360	128	1,799,488
Public works	1,364,544	123,049	1,487,593
Health, culture, and recreation	165,120	21,377	186,497
Economic development	-	86,561	86,561
Debt service:			
Principal	91,240	248,466	339,706
Interest	6,413	71,035	77,448
Total expenditures	<u>5,166,633</u>	<u>550,616</u>	<u>5,717,249</u>
Revenues over			
Excess (deficiency) of revenues over expenditures	<u>(757,697)</u>	<u>78,732</u>	<u>(678,965)</u>
Other financing sources (uses):			
Transfer-in lieu of tax payments	952,581	-	952,581
Sale of assets	-	30,000	30,000
Total other financing sources (uses)	<u>952,581</u>	<u>30,000</u>	<u>982,581</u>
Net changes in fund balance	194,884	108,732	303,616
Fund balance - beginning	<u>1,401,685</u>	<u>705,501</u>	<u>2,107,186</u>
Fund balance - ending	<u>\$ 1,596,569</u>	<u>\$ 814,233</u>	<u>\$ 2,410,802</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, 2020

**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) \$ 303,616

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. (279,076)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

T.V.A. in lieu	181,938
Police fines	<u>10,119</u>
Total	192,057

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. 3,207

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. 440,524

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. (690,926)

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. 340,119

Change in net position of governmental activities (Page 13) \$ 309,521

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

CITY OF ABERDEEN, MISSISSIPPI
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2020

Assets	Urban Development	Electric	Water and Sewer	Total
Current assets:				
Cash and cash equivalents	\$ 184,148	\$ 5,959,241	\$ 2,237,126	\$ 8,380,515
Accounts receivable (net of allowance for uncollectable of \$0, \$335,403, and \$11,108)	-	1,136,856	415,893	1,552,749
Rent receivable	-	54,035	-	54,035
Other receivables	-	19,928	-	19,928
Due from other funds	27,732	78,646	-	106,378
Prepaid items	-	15,178	14,541	29,719
Inventories	-	345,105	431,464	776,569
Total current assets	<u>211,880</u>	<u>7,608,989</u>	<u>3,099,024</u>	<u>10,919,893</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	-	572,271	535,568	1,107,839
Investments	-	-	821,262	821,262
Other assets:				
Notes receivable, net of allowance - noncurrent	91,933	17,253	-	109,186
Total noncurrent assets	<u>91,933</u>	<u>589,524</u>	<u>1,356,830</u>	<u>2,038,287</u>
Capital assets:				
Capital assets, not being depreciated:				
Land	-	57,948	126,847	184,795
Distribution plant	-	15,216	-	15,216
Construction in progress	-	182,249	-	182,249
Capital assets, being depreciated:				
Electric plant	-	3,771,435	-	3,771,435
General plant	-	380,462	-	380,462
Water distribution system	-	-	8,033,444	8,033,444
Wastewater treatment	-	-	2,669,657	2,669,657
Total capital assets	<u>-</u>	<u>4,407,310</u>	<u>10,829,948</u>	<u>15,237,258</u>
Total assets	<u>303,813</u>	<u>12,605,823</u>	<u>15,285,802</u>	<u>28,195,438</u>
Deferred outflows of resources				
Loss on bond refunding	-	-	15,306	15,306
Related to pensions	-	151,913	54,664	206,577
Total deferred outflows of resources	<u>-</u>	<u>151,913</u>	<u>69,970</u>	<u>221,883</u>
Total assets and deferred outflows of resources	<u>\$ 303,813</u>	<u>\$ 12,757,736</u>	<u>\$ 15,355,772</u>	<u>\$ 28,417,321</u>

NOTE - Amounts for the Electric Fund are at June 30, 2020.

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

CITY OF ABERDEEN, MISSISSIPPI
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2020

Liabilities, deferred inflows, and net position	Urban Development	Electric	Water and Sewer	Total
Liabilities:				
Current liabilities:				
Accounts payable and other accrued expenses	\$ -	\$ 1,536,825	\$ 59,383	\$ 1,596,208
Accrued payroll expenses	-	16,959	12,112	29,071
Compensated absences	-	4,444	-	4,444
Due to other funds	-	230,565	398,700	629,265
Total current liabilities	-	1,788,793	470,195	2,258,988
Current liabilities payable from restricted assets:				
Accrued interest payable	-	10,486	12,369	22,855
Current maturities of lease payable	-	147,326	88,033	235,359
Customer deposits	-	647,170	120,162	767,332
Current maturities of long-term debt	-	75,017	223,575	298,592
Total current liabilities payable from restricted assets	-	879,999	444,139	1,324,138
Noncurrent liabilities:				
Advances from Home Insulation Program	-	7,528	-	7,528
Premium on bonds payable	-	-	4,836	4,836
Other corporate liabilities	-	-	116,755	116,755
Lease payable	-	838,965	604,536	1,443,501
Bonds payable	-	77,398	1,689,829	1,767,227
Net pension liability	-	1,947,744	772,367	2,720,111
Compensated absences payable	-	13,333	6,682	20,015
Total noncurrent liabilities	-	2,884,968	3,195,005	6,079,973
Total liabilities	-	5,553,760	4,109,339	9,663,099
Deferred inflows of resources				
Related to pensions	-	23,406	-	23,406
Total deferred inflows of resources	-	23,406	-	23,406
Net position:				
Net investment in capital assets	-	3,268,604	8,219,139	11,487,743
Restricted for debt service	-	561,785	523,199	1,084,984
Unrestricted	303,813	3,350,181	2,504,095	6,158,089
Total net position	303,813	7,180,570	11,246,433	18,730,816
Total liabilities, deferred inflows of resources, and net position	\$ 303,813	\$ 12,757,736	\$ 15,355,772	\$ 28,417,321

NOTE - Amounts for the Electric Fund are at June 30, 2020.

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, 2020

	Urban Development	Electric	Water and Sewer	Total
Operating revenues				
Charges for sales and services	\$ -	\$ 13,535,720	\$ 2,449,904	\$ 15,985,624
Other operating revenues	7,409	245,778	54,856	308,043
Total operating revenues	<u>7,409</u>	<u>13,781,498</u>	<u>2,504,760</u>	<u>16,293,667</u>
Operating expenses				
Cost of sales and services	-	10,965,056	-	10,965,056
Operations	-	780,458	603,058	1,383,516
General and administrative expense	-	461,012	-	461,012
Maintenance	-	339,781	605,566	945,347
Depreciation	-	271,934	512,365	784,299
Total operating expenses	<u>-</u>	<u>12,818,241</u>	<u>1,720,989</u>	<u>14,539,230</u>
Operating income (loss)	<u>7,409</u>	<u>963,257</u>	<u>783,771</u>	<u>1,754,437</u>
Nonoperating income (expense)				
Interest earned	-	3,014	15,131	18,145
Loss on bond refunding	-	-	(1,121)	(1,121)
Interest expense	-	(11,773)	(53,917)	(65,690)
Miscellaneous nonoperating income (expense)	<u>-</u>	<u>364,320</u>	<u>-</u>	<u>364,320</u>
Total nonoperating income (expense)	<u>-</u>	<u>355,561</u>	<u>(39,907)</u>	<u>315,654</u>
Change in net position before transfers and capital contributions	7,409	1,318,818	743,864	2,070,091
Transfers and capital contributions				
In lieu of tax transfer	-	(642,592)	(309,989)	(952,581)
Tap fees	<u>-</u>	<u>-</u>	<u>20,426</u>	<u>20,426</u>
Total transfers and capital contributions	<u>-</u>	<u>(642,592)</u>	<u>(289,563)</u>	<u>(932,155)</u>
Change in net position	7,409	676,226	454,301	1,137,936
Total net position - beginning	<u>296,404</u>	<u>6,504,344</u>	<u>10,792,132</u>	<u>17,592,880</u>
Total net position - ending	<u>\$ 303,813</u>	<u>\$ 7,180,570</u>	<u>\$ 11,246,433</u>	<u>\$ 18,730,816</u>

NOTE - Amounts for the Electric Fund are at June 30, 2020.

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, 2020

	Urban Development	Electric	Water and Sewer	Total
Cash flows from operating activities:				
Cash received from consumers and other funds	\$ 28,160	\$ 14,617,567	\$ 2,398,844	\$ 17,044,571
Cash paid to suppliers of goods & services	-	(12,438,602)	(904,823)	(13,343,425)
Cash paid to employees for services and benefits	-	(594,544)	(391,672)	(986,216)
Customer deposits received and refunded	-	34,917	4,371	39,288
Due to/from other funds	-	-	330,297	330,297
In lieu of tax transfers	-	(642,592)	(309,989)	(952,581)
Net cash provided (used) by operating activities	<u>28,160</u>	<u>976,746</u>	<u>1,127,028</u>	<u>2,131,934</u>
Cash flows from capital and related financing activities:				
Principal paid on long-term debt	-	(212,048)	(343,791)	(555,839)
Interest and administrative expenses paid on long-term debt	-	(23,984)	(56,144)	(80,128)
Construction and purchase of capital assets	-	(101,825)	(334,998)	(436,823)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(337,857)</u>	<u>(734,933)</u>	<u>(1,072,790)</u>
Cash flows from investing activities:				
Repayment of note receivable	-	11,362	-	11,362
Maturity of long-term certificates of deposit	-	-	803,395	803,395
Purchase of long-term certificates of deposit	-	-	(821,262)	(821,262)
Interest income payments received	-	3,014	19,465	22,479
Net cash provided (used) by investing activities	<u>-</u>	<u>14,376</u>	<u>1,598</u>	<u>15,974</u>
Net increase (decrease) in cash and cash equivalents	<u>28,160</u>	<u>653,265</u>	<u>393,693</u>	<u>1,075,118</u>
Cash and cash equivalents - beginning	<u>155,988</u>	<u>5,878,247</u>	<u>2,379,001</u>	<u>8,413,236</u>
Cash and cash equivalents - ending	<u>\$ 184,148</u>	<u>\$ 6,531,512</u>	<u>\$ 2,772,694</u>	<u>\$ 9,488,354</u>
Cash and cash equivalents				
Unrestricted cash on hand	\$ -	\$ 500	\$ -	\$ 500
Unrestricted cash and cash equivalents on deposit	184,148	5,958,741	2,237,126	8,380,015
Restricted cash and cash equivalents on deposit	<u>-</u>	<u>572,271</u>	<u>535,568</u>	<u>1,107,839</u>
Total cash and cash equivalents	<u>184,148</u>	<u>6,531,512</u>	<u>2,772,694</u>	<u>9,488,354</u>

NOTE - Amounts for the Electric Fund are at June 30, 2020.

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, 2020

	Urban Development	Electric	Water and Sewer	Total
Reconciliation of operating income (loss) to net cash provided (used)				
by operating activities				
Operating income (loss)	\$ 7,409	\$ 963,257	\$ 783,771	\$ 1,754,437
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	424,673	512,365	937,038
Change in pension related balances	-	24,659	19,463	44,122
Other receipts (payments)	-	364,320	20,426	384,746
In lieu of tax transfers	-	(642,592)	(309,989)	(952,581)
Loss on bond refunding	-	-	1,121	1,121
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	-	501,560	(126,342)	375,218
(Increase) decrease in materials and supplies	-	(9,174)	(90,642)	(99,816)
(Increase) decrease in prepayments and other current assets	-	(488)	(1,480)	(1,968)
(Increase) decrease in due from other funds	-	(29,811)	-	(29,811)
(Increase) decrease in notes receivable	20,751	-	-	20,751
Increase (decrease) in accounts payable and accrued expenses	-	(650,869)	(16,333)	(667,202)
Increase (decrease) in customer deposits	-	34,917	4,371	39,288
Increase (decrease) in due to other funds	-	(3,706)	330,297	326,591
Net cash provided (used) by operating activities	<u>\$ 28,160</u>	<u>\$ 976,746</u>	<u>\$ 1,127,028</u>	<u>\$ 2,131,934</u>

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

CITY OF ABERDEEN, MISSISSIPPI
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2020

Assets

Cash and cash equivalents

\$ 199,700

Total assets

\$ 199,700

Liabilities:

Due to other funds - clearing

\$ 199,700

Total liabilities

\$ 199,700

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

CITY OF ABERDEEN, MISSISSIPPI
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
September 30, 2020

Revenues

Tax redemption receipts	\$ 505
Other revenues	988
Interest earnings	<u>176</u>
Total revenues	<u>1,669</u>

Expenditures

Other operating expenses	<u>1,669</u>
Total expenditures	<u>1,669</u>

Change in net position

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

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

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

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, which for certificates of deposit approximates cost. As of September 30, 2020, the City had certificates of deposit greater than three months in the amount of \$821,262.

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 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 and pension-related items.

Compensated Absences

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

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governmental funds' employees accumulate vacation days, and, in the event of termination, employees are reimbursed for accumulated vacation up to a maximum of 30 days. The current portion of the accrued vacation at September 30, 2020 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.

Net position flow assumption

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

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

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

The reconciliation of the balance sheet of governmental funds to the statement of net position includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including notes and bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$1,844,086 are as follows:

Bonds payable	\$ 1,330,000
Capital leases payable	320,555
Accrued leave	52,548
Notes payable	<u>140,983</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><u>\$ 1,844,086</u></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 \$5,406,089 are as follows:

Land	\$ 331,364
Buildings and improvements	1,170,474
Infrastructure	3,148,745
Other capital assets	<u>755,506</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 5,406,089</u></u>

CITY OF ABERDEEN, MISSISSIPPI
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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 (\$279,076) difference are as follows:

Capital outlay	\$ 7,023
Depreciation expense	(276,506)
Book value of assets disposed	(9,593)
	<hr/>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (279,076)</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Custodial Credit Risk

The City's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. The collateral for public entities' deposits in financial institutions are now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-106-5, Mississippi Code Annotated (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State 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).

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

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	\$ 2,167,814	\$ -	\$ -	\$ 276,127	\$ 2,443,941
Accounts	80,656	1,472,259	427,001	11,041	1,990,957
Court fines	1,287,862	-	-	-	1,287,862
Rents	-	54,035	-	-	54,035
Other	-	19,928	-	-	19,928
TVA	181,938	-	-	-	181,938
Gross receivables	3,718,270	1,546,222	427,001	287,168	5,978,661
Less: Allowance for uncollectibles	(1,201,263)	(335,403)	(11,108)	-	(1,547,774)
Net total receivables	<u>\$ 2,517,007</u>	<u>\$ 1,210,819</u>	<u>\$ 415,893</u>	<u>\$ 287,168</u>	<u>\$ 4,430,887</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 \$129 thousand in unavailable revenue related to court fines receivable, \$182 thousand in TVA revenue and \$2.33 million in unavailable revenue related to property taxes receivable.

C. Capital Assets

Capital asset activity for the year ended September 30, 2020 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	1,697,898	-	-	-	1,697,898
Infrastructure	8,437,443	-	-	(6,106)	8,431,337
Other capital assets	2,614,502	7,023	(95,918)	6,106	2,531,713
Total capital assets being depreciated	<u>12,749,843</u>	<u>7,023</u>	<u>(95,918)</u>	<u>-</u>	<u>12,660,948</u>
Less accumulated depreciation for:					
Buildings and improvements	471,140	56,284	-	-	527,424
Infrastructure	5,218,697	150,220	(86,325)	-	5,282,592
Other capital assets	1,706,206	70,002	-	(1)	1,776,207
Total accumulated depreciation	<u>7,396,043</u>	<u>276,506</u>	<u>(86,325)</u>	<u>(1)</u>	<u>7,586,223</u>
Total capital assets being depreciated, net	<u>5,353,800</u>	<u>(269,483)</u>	<u>(9,593)</u>	<u>1</u>	<u>5,074,725</u>
Governmental activities capital assets, net	<u>\$ 5,685,164</u>	<u>\$ (269,483)</u>	<u>\$ (9,593)</u>	<u>\$ 1</u>	<u>\$ 5,406,089</u>

CITY OF ABERDEEN, MISSISSIPPI
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	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	104,726	100,337	(16,274)	(6,540)	182,249
Total capital assets, not being depreciated	<u>304,737</u>	<u>100,337</u>	<u>(16,274)</u>	<u>(6,540)</u>	<u>382,260</u>
Capital assets being depreciated:					
Electric distribution plant	9,983,916	8,811	-	-	9,992,727
General plant	2,315,523	12,803	-	-	2,328,326
Water distribution system	16,353,675	323,823	-	6,540	16,684,038
Wastewater treatment	5,145,709	7,324	-	-	5,153,033
Buildings and improvements	198,754	-	-	-	198,754
Machinery and equipment	1,378,306	-	-	-	1,378,306
Total capital assets being depreciated	<u>35,375,883</u>	<u>352,761</u>	<u>-</u>	<u>6,540</u>	<u>35,735,184</u>
Less accumulated depreciation for:					
Electric distribution plant	5,971,301	249,991	-	-	6,221,292
General plant	1,773,182	174,682	-	-	1,947,864
Water distribution system	8,266,650	383,944	-	-	8,650,594
Wastewater treatment	2,354,954	128,422	-	-	2,483,376
Buildings and improvements	198,753	-	-	-	198,753
Machinery and equipment	1,378,307	-	-	-	1,378,307
Total accumulated depreciation	<u>19,943,147</u>	<u>937,039</u>	<u>-</u>	<u>-</u>	<u>20,880,186</u>
Total capital assets being depreciated, net	<u>15,432,736</u>	<u>(584,278)</u>	<u>-</u>	<u>6,540</u>	<u>14,854,998</u>
Business-type activities capital assets, net	<u>15,737,473</u>	<u>(483,941)</u>	<u>(16,274)</u>	<u>-</u>	<u>15,237,258</u>
Total capital assets, net	<u>\$ 21,422,637</u>	<u>\$ (753,424)</u>	<u>\$ (25,867)</u>	<u>\$ 1</u>	<u>\$ 20,643,347</u>

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

Depreciation Note

Governmental activities:

General government	\$ 5,390
Public safety	67,722
Public works	199,563
Health, culture, recreation, and welfare	3,831
Total depreciation expense - governmental activities	<u>276,506</u>

Business-type activities:

Electric	271,934
Water and sewer	512,365
Total depreciation expense - business-type activities	<u>784,299</u>

Total depreciation \$ 1,060,805

CITY OF ABERDEEN, MISSISSIPPI
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For the Electric Department, depreciation expense amounted to \$271,934 with an additional \$152,739 charged to transportation expenses for the fiscal year ended June 30, 2020.

D. Long-term Debt

General long-term debt at September 30, 2020 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	\$ 510,000
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General Obligation Improvement Bonds, Series 2018 due in annual installments \$85,000 to \$115,000 including interest at 3.625% through October 2028	820,000
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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.	140,983
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Capital lease payable:

Police Cars, interest at 2.50% due annually maturing in September 2021	14,289
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Sanitation vehicle, interest at 2.14% due annually maturing in July 2021	2,268
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Garbage Truck, interest at 2.29% due annually maturing in July 2022	71,139
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Knuckleboom vehicle, interest at 2.69% due annually maturing in September 2022	51,399
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Firetruck, interest at 3.79% due annually maturing in March 2024	<u>181,460</u>
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Total long-term debt - governmental activities	<u><u>1,791,538</u></u>
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CITY OF ABERDEEN, MISSISSIPPI
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September 30, 2020

Proprietary fund long-term debt at September 30, 2020 is summarized as follows:

Notes payable:

Capital equipment loan through BancorpSouth, dated 6/29/17 due in monthly installments of \$2,903 including interest at 2.34% through June 2021.	25,874
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Bonds payable:

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.	89,928
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Water and Sewer System Revenue Bonds, Series 2015 due in annual installments of \$129,558 to \$299,794, including interest at 2.0% to 3.25% due through March 2033	1,710,000
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General Obligation Bonds, Series 2011 due in annual installments of \$85,603 to \$90,725, including interest at 2%-3% due through September 2021	87,602
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In April of 2017, the City of Aberdeen, Mississippi Water Department obtained a lease payable in the amount of \$892,500, for the purpose of financing the purchase of AMI system for the Department. The note bears an interest rate of 7.16% and will be paid in variable amounts, with the final payment due March 2027.	692,569
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Total long-term debt - water and sewer activities	2,605,973
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Electric fund long-term debt at June 30, 2020 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	152,415
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In April of 2017, the City of Aberdeen, Mississippi Electric Department obtained a lease payable in the amount of \$1,050,000, for the purpose of financing the purchase of AMI system for the Department. The note bears an interest rate of 7.16% and will be paid in variable amounts, with the final payment due March 2027.	859,405
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The City of Aberdeen, Mississippi Electric Department obtained a lease payable in the amount of \$166,500, for the purpose of financing the purchase of a bucket truck for the Department. The note bears an interest rate of 3.77% and will be paid in variable amounts, with the final payment due March 2023.	126,886
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Total long-term debt - electric activities	1,138,706
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Total long-term debt - proprietary fund activities	3,744,679
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Total long-term debt	5,536,217
Other corporate liabilities	116,755
Accrued annual leave - governmental funds	52,548
Accrued annual leave - proprietary funds	24,459
Total noncurrent liabilities	\$ 5,729,979

CITY OF ABERDEEN, MISSISSIPPI
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The following is a summary of long-term debt activity for the year ended September 30, 2020:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	\$ 443,507	\$ -	\$ 122,952	\$ 320,555	\$ 123,181
Notes	153,150	-	12,167	140,983	12,515
General obligation bonds	1,535,000	-	205,000	1,330,000	120,000
Compensated absences	55,342	-	2,794	52,548	-
	<u>\$ 2,186,999</u>	<u>\$ -</u>	<u>\$ 342,913</u>	<u>\$ 1,844,086</u>	<u>\$ 255,696</u>
Business-type activities:					
Capital leases	\$ 1,900,663	\$ -	\$ 221,803	\$ 1,678,860	\$ 235,359
Notes	59,676	-	33,802	25,874	25,874
General obligation bonds	172,585	-	84,983	87,602	87,602
Revenue bonds	2,167,594	-	215,251	1,952,343	185,116
Other corporate liabilities	118,423	-	1,668	116,755	-
Compensated absences	23,345	1,548	434	24,459	4,444
	<u>\$ 4,442,286</u>	<u>\$ 1,548</u>	<u>\$ 557,941</u>	<u>\$ 3,885,893</u>	<u>\$ 538,395</u>

The annual requirements to amortize all long-term debt and obligations outstanding, excluding compensated absences, as of September 30, 2020, are as follows:

Year Ending June 30,	Notes		General Obligation Bonds		Revenue and Tax Bonds		Capital Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	38,389	4,312	207,602	37,891	185,116	54,749	358,540	110,256	789,647	207,208
2022	12,896	3,678	215,000	43,694	187,652	50,244	353,106	92,384	768,654	190,000
2023	13,289	3,285	225,000	35,341	110,414	45,401	311,326	74,417	660,029	158,444
2024	13,692	2,882	235,000	26,606	115,579	42,548	284,373	56,019	648,644	128,055
2025	14,109	2,465	100,000	17,581	115,748	39,354	252,493	38,103	482,350	97,503
2026 - 2030	74,482	5,622	435,000	32,172	641,472	142,888	439,577	24,488	1,590,531	205,170
2031 - 2035	-	-	-	-	596,362	34,529	-	-	596,362	34,529
	<u>\$ 166,857</u>	<u>\$ 22,244</u>	<u>\$ 1,417,602</u>	<u>\$ 193,285</u>	<u>\$ 1,952,343</u>	<u>\$ 409,713</u>	<u>\$ 1,999,415</u>	<u>\$ 395,667</u>	<u>\$ 5,536,217</u>	<u>\$ 1,020,909</u>

The City complied with all significant debt covenants and restrictions.

E. Interfund Receivables, Payables and Transfers

All interfund balances are expected to be repaid within the next fiscal year and are considered ordinary in nature. The composition of interfund balances as of September 30, 2020, is as follows (Electric Fund amounts are shown at 9/30/20 below and 6/30/20 on the face of the financials):

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Receivable Fund	Payable Fund	Amount
General Fund	Electric Fund	\$ 6,002
General Fund	Water/Sewer Fund	183,115
Water/Sewer Fund	Electric Fund	138,455
General Fund	Clearing	72,416
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>545,199</u>
Eliminated		<u>(328,350)</u>
Total		<u><u>\$ 216,849</u></u>

The following is a summary of transfers during the year ended September 30, 2020:

Transfers From	Transfers To	Amount
Electric Fund	General Fund	\$ 642,592
Water and Sewer Fund	General Fund	309,989
Total		<u><u>\$ 952,581</u></u>

The purpose of the \$952,581 transfer between the proprietary funds and the general fund is to make in lieu of tax transfers between the funds.

NOTE 5 - OTHER INFORMATION

A. Risk Management

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

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

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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, 2019 Measurement Date – Aberdeen Electric Department

Plan Description - 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 17.40 percent for employer contributions and 9.00 percent for members. PERS employers contributed \$1,038.1 million and members contributed \$580.9 million for fiscal year 2019. The Utilities employees comprise 23.06 percent of the plan based on contribution.

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

A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of

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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

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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, 2019 (Measurement Date):

	<u>Plan Total</u>	<u>City</u>
Inactive currently receiving benefits	104,973	12
Inactive assumed eligible for a benefit at retirement	16,578	2
Inactive assumed not to receive service retirement benefits	52,763	6
Active members	150,687	17
Total	<u>325,001</u>	<u>37</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 17.40% 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, 2020 and 2019 respectively, were \$131,665 and \$114,350.

Net Pension liability: The Department's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019:

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Net Pension Liability

Total Pension Liability

as of June 30, 2018 (a)	\$	4,996,968
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Entry Age Normal Cost for

July 1, 2016 - June 30, 2018 (b)	\$	390,803
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Actual Benefit Payments and Refunds for

July 1, 2017 - June 30, 2018 (c)	\$	316,201
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Total Pension Liability

as of June 30, 2018

(a) + (b) - (c)	\$	5,071,570
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Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.00% - 18.25% including inflation
Investment rate of return*	7.75% net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

Changes of assumptions:
2019

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.

For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally. The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

For males, 137% of male rates at all ages.

For females, 115% of female rates at all ages.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

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2017

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

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

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

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

2016

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

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.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

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.

The long-term expected rate of return on pension plan investments was determined using a log-normal 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 weighing 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*
Domestic Equity	27.00%	4.90%
International Equity	22.00%	4.75%
Global	12.00%	5.00%
Fixed Income	20.00%	1.50%
Real Estate	10.00%	4.00%
Private Equity	8.00%	6.25%
Cash	1.00%	0.25%
Total	100.00%	

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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 (17.40%). 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:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2018	\$ 4,996,968	\$ 3,124,869	\$ 1,872,099
Changes for the year:			
Service cost	77,122	-	77,122
Interest	368,758	-	368,758
Differences between expected and actual experience	-	-	-
Change in allocation	(80,696)	(50,472)	(30,224)
Change of assumptions	25,619	-	25,619
Contributions - employer	-	114,956	(114,956)
Contributions - employee	-	64,331	(64,331)
Net investment income	-	188,398	(188,398)
Benefit payments, including refunds of employee contributions	(316,201)	(316,201)	-
Administrative expense	-	(2,055)	2,055
Transfers among employers	-	-	-
Net changes	74,602	(1,043)	75,645
Balances at 6/30/2019	<u>\$ 5,071,570</u>	<u>\$ 3,123,826</u>	<u>\$ 1,947,744</u>

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

	1% Decrease (6.75 %)	Current Rate (7.75 %)	1% Increase (8.75 %)
Utility's net pension liability	\$ 2,425,222	\$ 1,947,744	\$ 1,357,038

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, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the PERS prepared as of June 30, 2019. The auditor's report dated June 30,

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2019 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, 2020 and 2019, the Department recognized pension expense of \$188,077 and \$114,350. At June 30, 2020, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,152	\$ 2,097
Changes of assumptions	19,096	-
Net difference between projected and actual earnings on pension plan investments	-	21,309
Employer contributions subsequent to the measurement date	131,665	-
Total	<u>\$ 151,913</u>	<u>\$ 23,406</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2019," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year ended September 30:	
2021	\$ 9,746
2022	(27,588)
2023	5,789
2024	8,891
2025	-
Thereafter	-

June 30, 2020 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 17.40 percent for employer contributions and 9.00 for members. PERS employers contributed \$1,171.8 million and members contributed \$594.7 million for fiscal year 2020.

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

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

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

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

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.

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Retirement Tier	Hire Date	Vesting Period	Retirement Eligibility	Service Retirement Formula	Partial Lump Sum Option	Non-Duty Related Disability Retirement
Tier 1	June 30, 1992, or earlier	4 years	25 years at any age or age 60 and vested	2 percent per year for up to 25 years, plus 2.5 percent per year for each year over 25; Minimum monthly benefit under Maximum Retirement Allowance Option of \$10 per month for each year of service	28 years at any age or age 63 and vested	Age-Limited Plan, unless elected coverage under Tiered Disability Plan
Tier 2	July 1, 1992, through June 30, 2007	4 years	25 years at any age or age 60 and vested	2 percent per year for up to 25 years, plus 2.5 percent per year for each year over 25; Minimum monthly benefit under Maximum Retirement Allowance Option of \$10 per month for each year of service	28 years at any age or age 63 and vested	Tiered Disability Plan
Tier 3	July 1, 2007, through June 30, 2011	8 years	25 years at any age or age 60 and vested	2 percent per year for up to 25 years, plus 2.5 percent per year for each year over 25; Minimum monthly benefit under Maximum Retirement Allowance Option of \$10 per month for each year of service	28 years at any age	Tiered Disability Plan
Tier 4	July 1, 2011, or later	8 years	30 years at any age or age 60 and vested	2 percent per year for up to 30 years, plus 2.5 percent per year for each year over 30, with an actuarial reduction for each year of creditable service below 30 or for each year in age below age 65, whichever is less; No minimum monthly benefit	33 years at any age	Tiered Disability Plan

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

The following table summarizes the membership of the system as of June 30, 2019 (June 30, 2020 Measurement Date):

	<u>Plan Total</u>	<u>City</u>
Inactive currently receiving benefits	107,844	12
Inactive assumed eligible for a benefit at retirement	16,386	2
Inactive assumed not to receive service retirement benefits	57,631	6
Active members	150,651	17
Total	<u>332,512</u>	<u>37</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 17.40% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Aberdeen, Mississippi's contributions (employer only) to PERS for the fiscal year ended September 30, 2020, was \$440,024.

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.00% - 18.25% 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 PubS.H-2010(B) Retiree Table with the following adjustments. For males 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

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

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inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019, are summarized in the following table:

	Target Allocation	Long-Term Expected Rate of Return*
Domestic Equity	27.00%	4.90%
International Equity	22.00%	4.75%
Global Equity	12.00%	5.00%
Debt Securities	20.00%	1.50%
Real Estate	10.00%	4.00%
Private Equity	8.00%	6.25%
Cash Equivalents	1.00%	0.25%
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 (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2019	\$ 16,922,216	\$ 10,422,120	\$ 6,500,096
Changes for the year:			
Service cost	264,506	-	264,506
Interest	1,275,013	-	1,275,013
Differences between expected and actual experience	83,332	-	83,332
Change in allocation	-	-	-
Change in assumptions	-	-	-
Contributions - employer	-	435,106	(435,106)
Contributions - employee	-	220,824	(220,824)
Net investment income	-	318,191	(318,191)
Benefit payments, including refunds of employee contributions	(1,107,597)	(1,107,597)	-
Administrative expense	-	(7,336)	7,336
Allocation change	-	(32,022)	32,022
Other Expense	-	8	(8)
Net changes	515,254	(172,826)	688,080
Balances at 6/30/2020	\$ 17,437,470	\$ 10,249,294	\$ 7,188,176

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	\$ 9,304,211	\$ 7,188,176	\$ 5,441,597

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, 2020. The supporting actuarial information is included in the GASB Statement No. 68 Report for the PERS prepared as of June 30, 2020. The auditor's report dated September 30, 2020 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, 2020, the City recognized pension expense of \$682,707 (\$609,350 – City and \$73,357 – Water/Sewer). At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 62,394	\$ -
Changes of assumptions	40,211	-
Net difference between projected and actual earnings on pension plan investments	295,263	-
Employer contributions subsequent to the measurement date	123,115	-
Total	<u>\$ 520,983</u>	<u>\$ -</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2020," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year ended June 30:	
2021	\$ 25,407
2022	137,324
2023	139,993
2024	95,144
2025	-
Thereafter	-

D. Subsequent Events

Management has evaluated subsequent events through May 10, 2021, the date which the financial statements were available to be used.

The full impact of the COVID-19 outbreak continues to evolve as of May 10, 2021. As such, it is uncertain as to the full magnitude that the pandemic will have on the City's financial condition and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its result of operations, financial condition, or liquidity for fiscal year ending September 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE RETIREMENT SYSTEM OF MISSISSIPPI - ELECTRIC
For the Year Ended September 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 120,509	\$ 118,401	\$ 106,350	\$ 95,729	\$ 80,620	\$ 70,013	\$ 72,771
Contributions in relation to the actuarially determined contribution	131,665	114,350	102,580	86,800	75,017	76,787	76,216
Contribution deficiency (excess)	<u>\$ (11,156)</u>	<u>\$ 4,051</u>	<u>\$ 3,770</u>	<u>\$ 8,929</u>	<u>\$ 5,603</u>	<u>\$ (6,774)</u>	<u>\$ (3,445)</u>
Covered-employee payroll	692,581	680,466	\$ 675,238	\$ 607,805	\$ 511,870	\$ 444,528	\$ 462,039
Contributions as a percentage of covered - employee payroll	19.01%	16.80%	15.19%	14.28%	14.66%	17.27%	16.50%

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

See independent auditor's report.

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS BASED ON PARTICIPATION
IN THE PUBLIC EMPLOYEE RETIREMENT SYSTEM OF MISSISSIPPI - ELECTRIC
For the Year Ended September 30, 2020

	2019	2018	2017	2016	2015	2014
Aberdeen Electric Department proportion of net pension liability	23.06%	23.46%	21.65%	19.65%	18.30%	18.87%
Aberdeen Electric Department proportionate share of the net pension liability (asset)	1,947,744	1,872,099	1,673,604	1,518,175	1,163,713	961,773
Aberdeen Electric Department covered employee payroll	680,466	675,238	607,805	511,870	444,528	462,039
Aberdeen Electric Department proportionate share of the net pension liability (asset) as a percentage of its covered payroll	34.94%	36.07%	36.32%	33.72%	38.20%	48.04%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

See independent auditor's report.

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEE RETIREMENT SYSTEM OF MISSISSIPPI
For the Year Ended June 30, 2020

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.25 - 18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Changes of assumptions.

2019

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.

For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

For males, 137% of male rates at all ages.

For females, 115% of female rates at all ages.

Protection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumptions was reduced from 3.25% to 3.00%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS BASED ON PARTICIPATION
IN THE PUBLIC EMPLOYEE RETIREMENT SYSTEM OF MISSISSIPPI
For the Year Ended September 30, 2020

	2020	2019	2018	2017	2016	2015
City of Aberdeen proportion of net pension liability	76.57%	76.94%	76.54%	78.35%	80.35%	81.70%
City of Aberdeen proportionate share of the net pension liability (asset)	7,188,176	6,500,096	6,107,899	6,055,276	6,207,176	5,195,703
City of Aberdeen covered employee payroll	2,613,265	2,502,649	2,343,621	2,370,804	2,342,186	2,024,995
City of Aberdeen proportionate share of the net pension liability (asset) as a percentage of its covered payroll	36.36%	38.50%	38.37%	39.15%	37.73%	38.97%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	61.59%	64.47%	67.42%	76.60%	62.06%

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

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

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 440,024	\$ 395,867	\$ 379,295	\$ 373,402	\$ 368,894	\$ 330,733
Contributions in relation to the actuarially determined contribution	<u>440,024</u>	<u>395,867</u>	<u>379,295</u>	<u>373,402</u>	<u>367,841</u>	<u>329,611</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,053</u>	<u>\$ 1,122</u>
Covered-employee payroll	2,613,265	2,502,649	2,343,621	\$ 2,370,804	\$ 2,342,186	\$ 2,024,995
Contributions as a percentage of covered - employee payroll	16.84%	15.82%	16.18%	15.75%	15.71%	16.50%

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

CITY OF ABERDEEN, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEE RETIREMENT SYSTEM OF MISSISSIPPI
For the Year Ended September 30, 2020

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.25 - 18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Changes of assumptions.

2019

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree

Table with the following adjustments:

- For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
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- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for

disabled retirees with the following adjustments:

- For males 137% of male rates at all ages
- For females, 115% of female rates at all ages
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumptions was reduced from 3.00% to 2.75%. The wage inflation assumption was reduced from 3.25% to 3.00%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

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, 2020

	Budgeted Amounts			Variance- Over (Under)
Revenues:	Original	Final	Actual	
Property taxes	\$ 2,112,215	\$ 2,112,215	\$ 2,166,285	\$ 54,070
Intergovernmental	1,367,521	1,367,521	1,431,993	64,472
Charges for services	526,800	526,800	506,149	(20,651)
Licenses and permits	7,000	7,000	5,702	(1,298)
Rents	24,000	24,000	9,801	(14,199)
Fines	59,550	59,550	88,450	28,900
Grant proceeds	121,800	121,800	82,576	(39,224)
Interest	600	600	732	132
Other	92,399	92,399	117,352	24,953
Total revenues	<u>4,311,885</u>	<u>4,311,885</u>	<u>4,409,040</u>	<u>97,155</u>
Expenditures:				
Current:				
General government	1,737,359	1,737,359	1,739,956	2,597
Public safety	1,891,689	1,891,689	1,799,360	(92,329)
Public works	1,325,300	1,325,300	1,364,544	39,244
Health, culture, and recreation	303,239	303,239	165,120	(138,119)
Debt service:				
Principal	102,298	102,298	91,240	(11,058)
Interest	-	-	6,413	6,413
Total expenditures	<u>5,359,885</u>	<u>5,359,885</u>	<u>5,166,633</u>	<u>(193,252)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,048,000)</u>	<u>(1,048,000)</u>	<u>(757,593)</u>	<u>290,407</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, 2020

	Budgeted Amounts			Variance- Over (Under)
	Original	Final	Actual	
Other financing sources (uses):				
In lieu of tax payments	952,000	952,000	952,581	581
Transfer from other funds	96,000	96,000	-	(96,000)
Total other financing sources (uses)	<u>1,048,000</u>	<u>1,048,000</u>	<u>952,581</u>	<u>(95,419)</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	194,988	<u>\$ 194,988</u>
Fund balance - beginning			<u>1,329,543</u>	
Fund balance - ending			<u><u>\$ 1,524,531</u></u>	
Reconciliation to fund financial statements:				
Revenues over (under) expenditures - budgetary			\$ 194,988	
Revenues and expenditures not included in budgetary statements:				
S&J escrow fund - interest			31	
Street pavement fund- transfer			<u>(135)</u>	
Net change in fund balance - (page 16)			<u><u>\$ 194,884</u></u>	
Fund balance - budgetary			\$ 1,524,531	
Assets related to Prairie Construction fund			10,641	
Assets related to S&J escrow fund			61,377	
Assets related to HOME Grant fund			7	
Assets related to Rural Development clearing			<u>13</u>	
Fund balance - (page 14)			<u><u>\$ 1,596,569</u></u>	

See independent auditor's report.

SUPPLEMENTARY INFORMATION SECTION

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF WATER AND SEWER REVENUES AND EXPENSES
For the Fiscal Year Ended September 30, 2020

Operating revenues	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Charges for sales and services (net of uncollectible accounts \$5,287 Water and \$2,375 Sewer)	\$ 1,728,017	\$ 721,887	\$ 2,449,904
Other operating revenues	<u>38,720</u>	<u>16,136</u>	<u>54,856</u>
Total operating revenues	<u>1,766,737</u>	<u>738,023</u>	<u>2,504,760</u>
Operating expenses			
Operations	416,110	186,948	603,058
Maintenance	464,459	141,107	605,566
Depreciation	<u>353,532</u>	<u>158,833</u>	<u>512,365</u>
Total operating expenses	<u>1,234,101</u>	<u>486,888</u>	<u>1,720,989</u>
Operating income (loss)	<u>532,636</u>	<u>251,135</u>	<u>783,771</u>
Nonoperating income (expense)			
Interest earned	10,440	4,691	15,131
Loss on bond refunding	(1,121)	-	(1,121)
Interest expense	<u>(37,203)</u>	<u>(16,714)</u>	<u>(53,917)</u>
Total nonoperating income (expense)	<u>(27,884)</u>	<u>(12,023)</u>	<u>(39,907)</u>
Change in net position before transfers and capital contributions	504,752	239,112	743,864
Transfers and capital contributions			
In lieu of tax transfer	(213,892)	(96,097)	(309,989)
Tap fees	<u>15,650</u>	<u>4,776</u>	<u>20,426</u>
Total transfers and capital contributions	<u>(198,242)</u>	<u>(91,321)</u>	<u>(289,563)</u>
Change in net position	<u><u>\$ 306,510</u></u>	<u><u>\$ 147,791</u></u>	<u><u>\$ 454,301</u></u>

See independent auditor's report.

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended September 30, 2020

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Project or Grant Number	Expenditures
Department of Transportation			
Pass through Mississippi Office of Highway Safety			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	STP-0010-00(20)	\$ 73,583
Total Expenditures of Federal Awards			\$ 73,583

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the "Schedule") includes the federal award and state financial assistance activity of the City under programs of the federal government and the State of Mississippi for the year ended September 30, 2020. The information in this Schedule is presented for assistance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City. It is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies

Expenditures noted on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

See independent auditor's report.

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For The Fiscal Year Ended September 30, 2020

	<u>Project or Grant Number</u>	<u>Disbursements</u>
Mississippi Department of Archives Mississippi Community Heritage Preservation Grant Program	CHPG#2016-014	\$ <u>8,993</u>
Mississippi Department of Finance and Administration Tourism and Advertising CARES Relief Act-COVID	SLT0019	<u>87,500</u>
Total Expenditures of State Awards		<u>\$ 96,493</u>

See independent auditor's report.

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF SURETY BONDS
September 30, 2020

<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
Nicholas Holliday	Councilmember	Old Republic	100,000
Lady B. Garth	Councilmember	Old Republic	100,000
Edward Haynes	Councilmember	Old Republic	100,000
John Allen	Councilmember	Old Republic	100,000
Henry Randle	Police Chief	Old Republic	100,000
Jackie Benson	City Clerk	Old Republic	50,000
Karen Crump	Comptroller	CNASurety	50,000
Tamika Kendrick	City Accountant	CNASurety	50,000
Dispatchers Bond	Per Dispatcher	CNASurety	<u>10,000</u>
			<u>\$ 860,000</u>

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



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

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aberdeen, Mississippi (the City), as of and for the year ended September 30, 2020 (Electric Dept. is as of June 30, 2020), and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 10, 2021.

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 as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations as 2020-001 that we consider to be a material weakness.

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.

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

Jackson, Tennessee
May 10, 2021



**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, 2020 (Electric Dept. is as of June 30, 2020), and have issued our report thereon dated May 10, 2021. 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.

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

Jackson, Tennessee
May 10, 2021

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
September 30, 2020

FINANCIAL STATEMENT FINDINGS

Current Year Findings:

2020-001 Internal Control Deficiency (Material Weakness)

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

Cause: There were multiple issues/areas noted during the course of the audit that required significant adjustment or were found to have insufficient controls around them.

Criteria: Multiple criteria were noted as follows:

Bank statement reconciliations – We noted long outstanding items as far back as 2010. Auditor also noted one instance of a check lacking dual signatures.

Account reconciliations – Auditor noted attempts to reconcile accounts payable, however accounts payable was not reconciled to the general ledger accounts resulting in material adjustment.

Intercompany reconciliations – Auditors noted that intercompany accounts were reconciled at year end however the balances were not accurate resulting in material adjustments.

Billing adjustments – Auditor was unable to find documentation that management was approving bill adjustments.

Credit card receipts – Auditor noted one instance of lack of supporting documentation for credit card purchase.

Employee billing – Auditor noted one instance of employee still owing prior bill at time of subsequent billing.

Unclaimed property – Auditor noted long outstanding deposit check amounts not remitted as unclaimed property.

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 Department 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 Department 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.

CITY OF ABERDEEN, MISSISSIPPI
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
September 30, 2020

Prior Year Findings:

2019-001 Internal Control Deficiency (Material Weakness) (Repeated)