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CITY OF ABERDEEN, MISSISSIPPI
BASIC FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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**CITY OF ABERDEEN, MISSISSIPPI
FOR THE YEAR ENDED SEPTEMBER 30, 2010
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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

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

I 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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Aberdeen, Mississippi's management. My responsibility is to express an opinion on the financial statements based on my audit.

Except as discussed in the fourth paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

The City of Aberdeen Electric Department's financial year ends on June 30th as required by regulatory bodies, and therefore, all statements and information relating to the Electric Department in this report are for the fiscal year beginning July 1, 2009 and ending June 30, 2010.

Management has not valued all of the City's land, buildings, infrastructure (consisting of streets, roads, bridges, sidewalks, etc), nor adopted a methodology for compiling complete and adequate subsidiary records documenting the existence, completeness and valuation of the fixed assets included in the statement of net assets. Accordingly, management has not calculated or provided appropriate accumulated depreciation or depreciation expense or any provision for doubtful accounts related to court fines, UDAG or TVA notes receivables in the governmental activities in the statement of net assets. Management incorrectly recorded interfund payables/receivables & in/out as revenues/expenses as presented on page 34 of this report. Management did not amortize intangible assets, (loan/bond issuance costs) and omitted certain pension disclosures. Since I was engaged after the City's year end, I was unable to observe the physical inventory. Therefore, I was unable to form an opinion as to completeness regarding revenues and expenses in the accompanying Statement of Activities. Accounting principles generally accepted in the United States of America require that fixed assets, accumulated depreciation, depreciation expense, loan/bond issuance costs and related provision for doubtful accounts be provided and that inventory of a material nature be observed by the auditor. Fixed assets, accumulated depreciation, depreciation expense, and related provision for doubtful accounts would increase the assets, net assets and expenses of the City. The amount by which these departures would affect the assets, net assets and expenses of the governmental activities and the proprietary funds are not reasonably determinable, but considered material.

In my opinion, because of the effect of the matters discussed in the preceding paragraph, the primary government financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining funds of the City of Aberdeen, Mississippi as of September 30, 2010, or the respective changes in financial position, thereof, for the year then ended.

In accordance with Government Auditing Standards, I have also issued my report dated March 25, 2011, on my consideration of the City's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The management's discussion and analysis on pages 2 through 11 and budgetary comparison information on page 43 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on them.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied by me in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Charles Buchanan, CPA

Jackson, MS
March 25, 2011

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF ABERDEEN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City of Aberdeen, Mississippi's annual financial report presents its discussion and analysis of financial performance during the fiscal year ended September 30, 2010. Please read it in conjunction with the City of Aberdeen financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

- The City's total assets increased to \$29,244,552 or 5.2 % from \$27,809,174 in 2009.
- The City's total net assets increased to \$18,935,562 or 4.7 % from \$18,091,318 in 2009.
- The City of Aberdeen's long-term debt increased to \$7,477,783 or 12.9% from 6,622,028 in 2009.
- The City's total revenues decreased (\$276,081) to \$21,036,963 or 1.3% from \$21,313,044 in 2009.
- The City's total expenses decreased (\$1,186,389) to \$20,296,576 or -5.5% from \$21,482,965 in 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

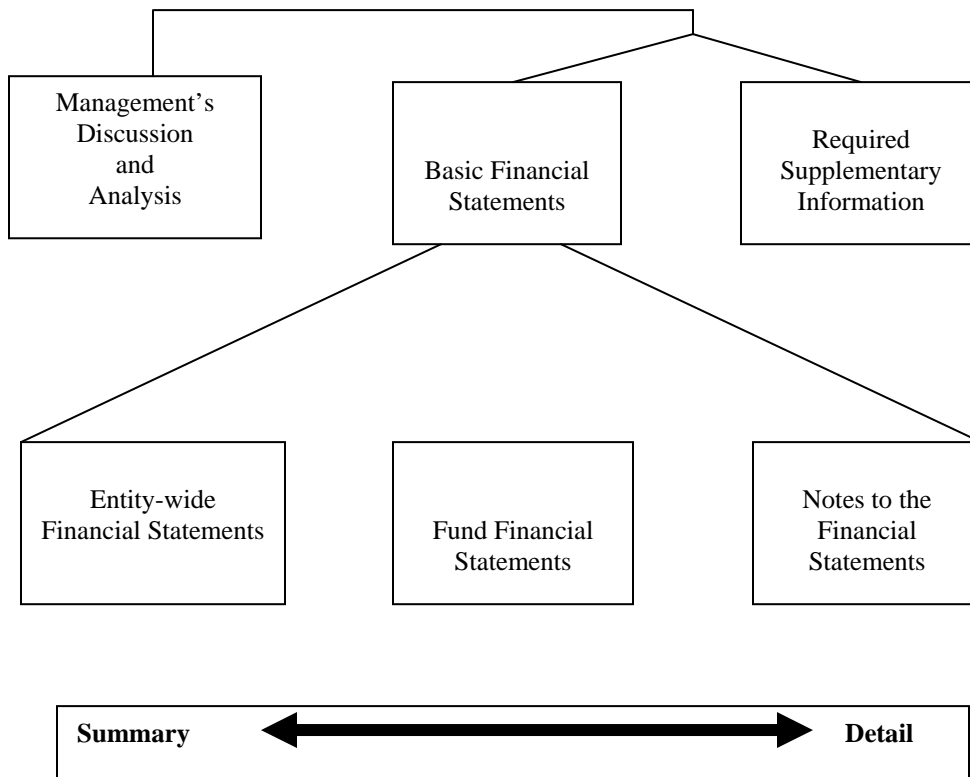
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *entity-wide financial statements* that provide both *short* and *long-term* information about the City's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City, reporting the operations in *more detail* than the entity-wide statements.
- The *governmental fund statements* show how basic services such as law enforcement and public works activities were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee* or *agent* 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 assets and statement of activities.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the City's major program budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

**CITY OF ABERDEEN, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Table A-1: Organization of the City's Annual Financial Report



**CITY OF ABERDEEN, MISSISSIPPI
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Table A-2 summarizes the major features of the City's financial statements, including the portion of the City’s activities covered and information contained. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Table A-2: Major Features of the Entity-Wide and Fund Financial Statements

	Entity-Wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the City, such as law enforcement and public works activities	Instances in which the City administers resources on behalf of others, such as employee benefits
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term; funds do not contain capital assets, although they may
Type of inflow and outflow information	All revenues and expenses during year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

CITY OF ABERDEEN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Entity-Wide Statements

The entity-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the City's assets and liabilities. Current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two entity-wide statements report the City's *net assets* and how they have changed. Net assets, defined as the difference between the assets and liabilities, are a key measure of the financial health or position of the City.

- Over time, increases and decreases in net assets are indicators of whether the financial position has improved or deteriorated, respectively.
- For assessment of the overall health of the City, additional non-financial factors such as changes in the property tax base, condition of buildings, and other facilities should be considered.

Net assets of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Capital assets are reported as expenditures when financial resources (money) are expended to purchase or build assets. Borrowed resources are considered revenue when received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated if it does not provide or reduce current financial resources. Finally, capital assets and long-term debt are both accounted for in account groups and do not affect the fund balances.

Government-wide statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Assets:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate depreciation to the proper program/activities;
- Calculate revenues and expenses using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net asset balances as follows:
 - *Net Assets* invested in capital assets, net of related debt;
 - *Restricted net assets* are those with constraints placed on their use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation and,
 - *Unrestricted net assets* are net assets that do not meet any of the above restrictions.

Fund Financial Statements

The fund financial statements provide detailed information about the City's funds. Funds are accounting devices used to keep track of specific revenue sources and spending on particular programs. These funds have been established under the laws of the State of Mississippi.

The City has two types of funds:

- **Governmental funds:** Most basic services are included in governmental funds that generally focus on (1) how cash and other financial assets readily converted to cash flow in and out and (2) remaining balances available for spending. Governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the entity-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. In summary, the government fund statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general, special revenue, debt service, capital project, and permanent funds. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.
- **Fiduciary funds:** The City is the trustee or *fiduciary* for assets that belong to others, such as taxes or fees legally collected for other governments or agencies. The City must ensure that assets reported in these funds are used only for their intended purposes, and only by those authorized to use them. The City **excludes** these activities from the entity-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting is focused on net assets and changes in net assets. This report should be used to support the City's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post employment healthcare plans.

**CITY OF ABERDEEN, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's net assets increased \$844,244 during 2010 as detailed in Tables A-3.

Table A- 3: Condensed Statement of Net Assets - Governmental Activities

	Fiscal Year 2010	Fiscal Year 2009 (Revised)	Inc (dec)	%
Assets				
Current assets	\$ 2,265,773	\$ 2,272,099	\$ (6,326)	-0.3%
Non-current assets	26,978,779	25,537,075	1,441,704	5.6%
Total assets	29,244,552	27,809,174	1,435,378	5.2%
Liabilities				
Current liabilities	2,831,207	3,095,828	(264,621)	-8.5%
Long-term liabilities	7,477,783	6,622,028	855,755	12.9%
Total liabilities	10,308,990	9,717,856	591,134	6.1%
Net assets				
Investment in capital assets, net of related debt	12,872,739	14,293,625	(1,420,886)	-9.9%
Restricted	4,510,421	2,067,696	2,442,725	118.1%
Unrestricted	1,552,402	1,729,997	(177,595)	-10.3%
Total net assets	18,935,562	18,091,318	844,244	4.7%
Total liabilities and net assets	\$ 29,244,552	\$ 27,809,174	\$ 1,435,378	5.2%

Statement of Net Assets Analysis

Current assets are up 5.2% due to the receipt of the \$1.5M 2009 Street Paving Bond received near year-end. The government paid down long-term debt by \$800K, but issued general obligation bonds in the amount of \$1.5M and issued a note to repay TVA \$615K for joint expenses and previous advances on in-lieu taxes.

**CITY OF ABERDEEN, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table A-4: Changes in Net Assets from Operating Results
Governmental Activities Only**

Revenues	Fiscal Year 2010	Fiscal Year 2009 (Revised)	Inc (Dec)	%
<i>Program revenues</i>				
Charges for services	\$ 15,981,628	\$ 16,306,805	\$ (325,177)	-2.0%
Capital/operating grants	301,726	85,443	216,283	253.1%
<i>General revenues</i>				
Property/realty & advalorem taxes	3,337,257	3,125,360	211,897	6.8%
Franchise taxes	53,507	58,785	(5,278)	-9.0%
Sales and use tax	893,183	876,898	16,285	1.9%
Fines, fees, licenses and permits	96,443	283,413	(186,970)	-66.0%
Intergovernmental	60,741	116,830	(56,089)	-48.0%
Interest income	79,883	55,156	24,727	44.8%
Rent/leases	90,739	62,235	28,504	45.8%
Contributions	1,668	-	1,668	100.0%
Miscellaneous	135,228	268,636	(133,408)	-49.7%
Gain (loss) on asset disposal	4,960	73,483	(68,523)	-93.3%
Total revenues	<u>21,036,963</u>	<u>21,313,044</u>	<u>(276,081)</u>	<u>-1.3%</u>
Expenses				
General government	1,995,037	2,304,940	(309,903)	-13.4%
Public safety	1,673,927	1,656,429	17,498	1.1%
Public works	813,633	925,300	(111,667)	-12.1%
Culture & recreational	375,002	316,501	58,501	18.5%
Debt service	-	34,763	(34,763)	-100.0%
Capital outlay	7,563	62,768	(55,205)	-88.0%
Interest expense	138,544	34,763	103,781	298.5%
Water & sewer	2,080,227	2,624,557	(544,330)	-20.7%
Electric	13,212,643	13,522,944	(310,301)	-2.3%
Total expenses	<u>20,296,576</u>	<u>21,482,965</u>	<u>(1,186,389)</u>	<u>-5.5%</u>
Increases (decreases) in net assets	<u>740,387</u>	<u>(169,921)</u>	<u>910,308</u>	<u>-535.7%</u>
Beginning net assets	<u>18,091,318</u>	<u>18,261,239</u>	<u>(169,921)</u>	<u>-0.9%</u>
Prior year adjmts (See note 11)	<u>103,857</u>		<u>103,857</u>	<u>100%</u>
Ending net assets	<u><u>\$ 18,935,562</u></u>	<u><u>\$ 18,091,318</u></u>	<u><u>\$ 844,244</u></u>	<u><u>4.7%</u></u>

**CITY OF ABERDEEN, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Results of Operations

Revenues

The City's 2010 revenues totaled \$21,036,963. (See Table A-4) Two revenue sources, namely a) Charges for services, and b) taxes accounted for most of the City's revenue. These sources contributed 76, and 20, percent respectively, of every dollar raised in fiscal year 2010. (See Table A-5). The remainder came from other miscellaneous sources.

The City's charges for services (utilities) were down \$325k or 2.0% mostly as a result of passing along decreases in energy costs to customers from TVA. Property taxes were up \$212k; the results of a \$1.18/\$100 increase in the property tax levy (millage).

Expenses

Total expenses for all services totaled \$20,296,576 down \$1.2M from 2009.

General government expenses were down \$310k; electric costs went down \$310k reflecting decreased energy costs from TVA, and water & sewer went down \$544k for an overall decrease of \$1.186M, or 5.5%.

**CITY OF ABERDEEN, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table A-5: Sources of Revenue for Fiscal Year 2010

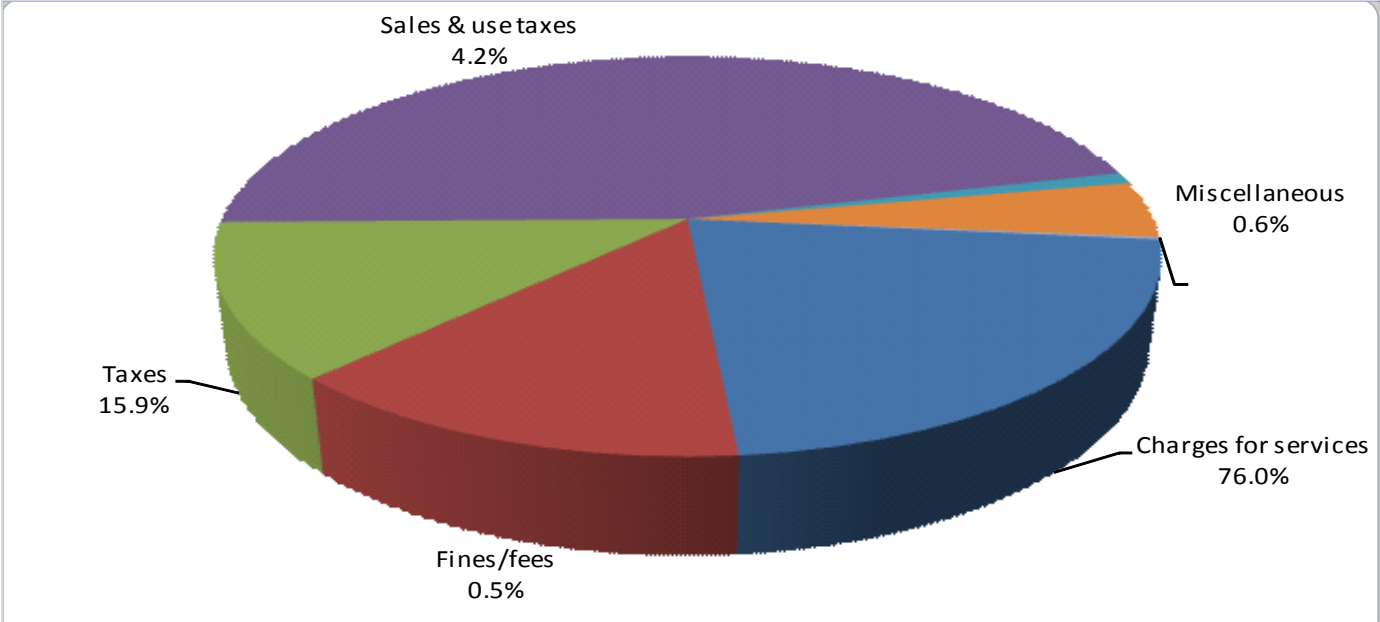
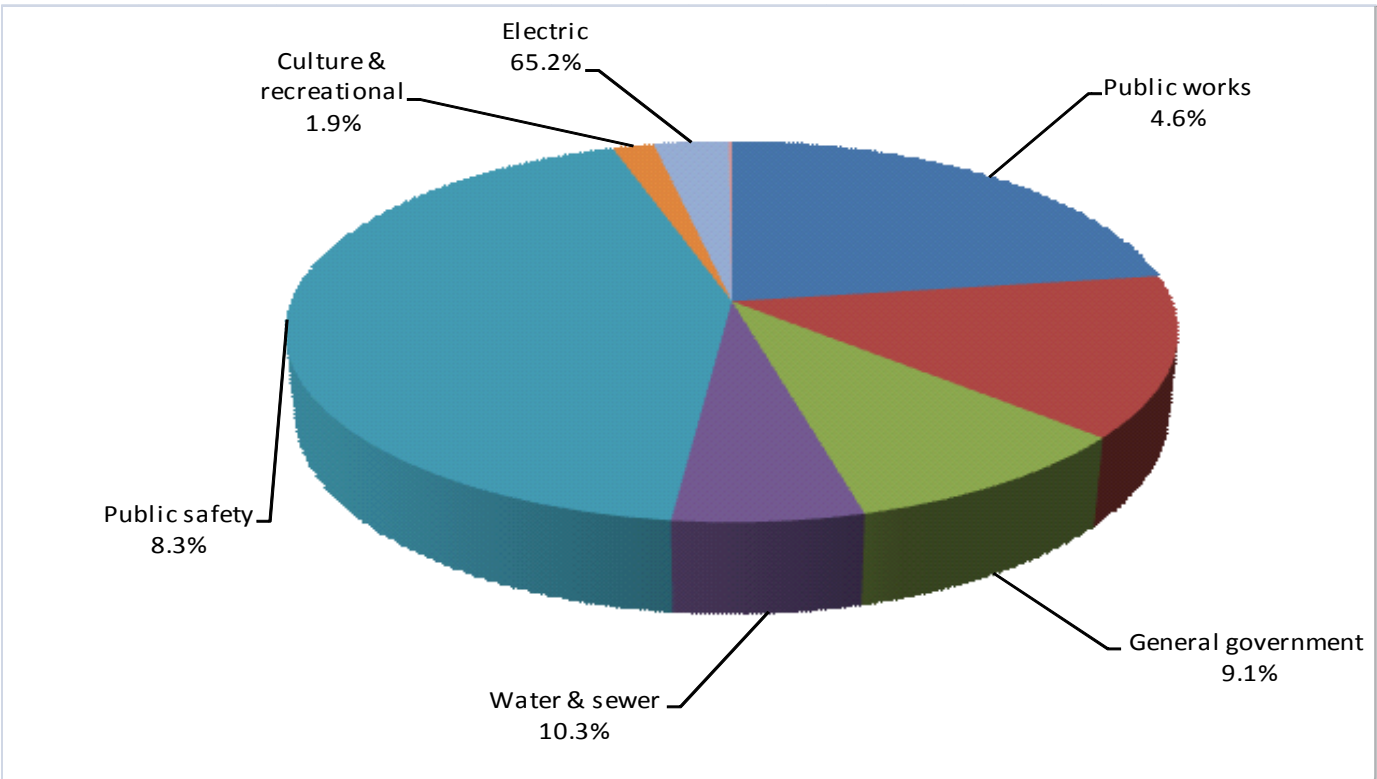


Table A-6: Program Expenses for Fiscal Year 2010



**CITY OF ABERDEEN, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets- Implementation of GASB 34 requires the City to capitalize assets and record depreciation expense on the related assets, including infrastructure. The City does not report depreciation expense in its governmental fund and has not fully implemented GASB 34. The City's investment in capital assets for its governmental and business-type activities are presented below.

Table A-7, Capital assets, indicates the investment in capital assets as follows:

Table A-7: Capital Assets

Category	Current year			
	2010	Prior year 2009	Inc/ (dec)	%
Land	\$ 418,193	\$ 196,459	\$ 221,734	112.9%
Buildings and improvements	2,803,244	1,814,044	989,200	54.5%
Improvements other than bldgs	11,012,030	148,019	10,864,011	7339.6%
Machinery & equipment	18,720,716	30,890,080	(12,169,364)	-39.4%
Infrastructure	703,581	427,811	275,770	64.5%
Construction in progress	182,902	-	182,902	0.0%
Total capital assets	<u>33,840,666</u>	<u>33,476,413</u>	<u>364,253</u>	<u>1.09%</u>
Accumulated depreciation	<u>(13,069,522)</u>	<u>(12,332,399)</u>	<u>(737,123)</u>	<u>6.0%</u>
Capital assets, net	<u>\$ 20,771,144</u>	<u>\$ 21,144,014</u>	<u>\$ (372,870)</u>	<u>-1.8%</u>

**CITY OF ABERDEEN, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Long-Term Debt-At year end, the City had \$8,870,379 in secured debt outstanding. More detailed information about the City of Aberdeen's long-term liabilities is presented in the notes to the financial statements.

Table A-9: Outstanding Long-Term Obligations

Category	Governmental Activities	Business- Type Activities	Govmt Wide
Compensated absences	\$ 367,880	\$ 78,735	\$ 446,615
General obligation bonds	1,790,000	2,310,000	4,100,000
Obligations under capital leases	73,731	3,461,291	3,535,022
Notes payable	615,099	173,643	788,742
Total	<u>\$ 2,846,710</u>	<u>\$ 6,023,669</u>	<u>\$ 8,870,379</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2011 budget.

CONTACTING CITY OF ABERDEEN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Aberdeen's finances and to demonstrate the City's accountability for the money it received. If you have any questions about this report or need additional financial information, please contact:

Jim Ballard, Mayor
City of Aberdeen
125 W. Commerce St.
Aberdeen, MS 39730
(662)-369-4165

FINANCIAL STATEMENTS

City of Aberdeen, Mississippi
Government-wide Statement of Net Assets
For the year ended September 30, 2010

Assets	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 195,473	\$ 56,417	\$ 251,890
Accounts receivable, net of allowances	51,115	1,274,795	1,325,910
Sales taxes due from State	218,324	-	218,324
Fines receivable, net of allowances	122,859	-	122,859
Undistributed stores expense	-	(17,043)	(17,043)
Undistributed salaries expense	-	(12,738)	(12,738)
Internal service fund balances	(980,079)	980,079	-
Prepaid expenses	113,546	55,488	169,034
Inventories	-	191,124	191,124
Interest receivable	-	16,413	16,413
Total current assets	<u>(278,762)</u>	<u>2,544,535</u>	<u>2,265,773</u>
Capital assets			
Land	221,734	196,459	418,193
Buildings and improvements	-	2,803,244	2,803,244
Improvements other than buildings	853	11,011,177	11,012,030
Machinery and equipment	497,205	18,223,511	18,720,716
Infrastructure	427,811	275,770	703,581
Construction in progress	125,058	57,844	182,902
Total capital assets(note 6)	<u>1,272,661</u>	<u>32,568,005</u>	<u>33,840,666</u>
Less accumulated depreciation	-	(13,069,522)	(13,069,522)
Capital assets, net	<u>1,272,661</u>	<u>19,498,483</u>	<u>20,771,144</u>
Non-current assets			
Cash-restricted	2,584,358	1,926,063	4,510,421
Cash-restricted customers' security deposits	-	338,649	338,649
Other assets			
Notes receivable, net of allowance-non-current (note 1)	285,314	873,613	1,158,927
Notes receivable-common city TVA joint costs	-	-	-
Transportation clearing	-	30,466	30,466
Loan origination fees/bond issuance cost (net of amortization) (note 1)	39,669	129,503	169,172
Total non-current assets	<u>2,909,341</u>	<u>3,298,294</u>	<u>6,207,635</u>
Total assets	<u>3,903,240</u>	<u>25,341,312</u>	<u>29,244,552</u>
Liabilities			
Current liabilities			
Cash overdraft	-	29,778	29,778
Accounts/claims payable	112,992	1,182,531	1,295,523
Wages payable	34,127	19,802	53,929
Sales taxes payable	-	52,548	52,548
Notes payable-cosby property	89,740	-	89,740
Deferred charges	-	18,050	18,050
Customers' utility deposits	-	338,649	338,649
Due to other funds	-	-	-
Due to others	117,568	-	117,568
Accrued interest payable	14,440	43,485	57,925
Accrued compensated absences, current portion (note 7)	173,000	31,600	204,600
Long-term liabilities, current portion (note 7)	208,844	364,053	572,897
Total current liabilities	<u>750,711</u>	<u>2,080,496</u>	<u>2,831,207</u>
Noncurrent liabilities			
Accrued compensated absences, net of current portion (note 7)	194,880	47,135	242,015
Long-term liabilities, net of current portion (note 7)	1,654,887	5,580,881	7,235,768
Total noncurrent liabilities	<u>1,849,767</u>	<u>5,628,016</u>	<u>7,477,783</u>
Total liabilities	<u>2,600,478</u>	<u>7,708,512</u>	<u>10,308,990</u>
Net assets			
Invested in capital assets, net of related debt	(680,810)	13,553,549	12,872,739
Restricted	2,584,358	1,926,063	4,510,421
Unrestricted	(600,786)	2,153,188	1,552,402
Total net assets	<u>1,302,762</u>	<u>17,632,800</u>	<u>18,935,562</u>
Total liabilities and net assets	<u>\$ 3,903,240</u>	<u>\$ 25,341,312</u>	<u>\$ 29,244,552</u>

See independent auditor's report and notes to the financial statements.

City of Aberdeen, Mississippi
Governmentwide Statement of Activities
For the year ended September 30, 2010

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Primary Government							
<i>Governmental Activities</i>							
General government	\$ (1,995,037)	24,596	\$ 20,717	\$ -	\$ (1,949,724)	\$ -	\$ (1,949,724)
Public safety	(1,673,927)	138,183	256,967	-	(1,278,777)	-	(1,278,777)
Public works	(813,633)	674,470	12,884	-	(126,279)	-	(126,279)
Culture and recreational	(375,002)	9,761	-	-	(365,241)	-	(365,241)
Capital outlay	(7,563)	-	-	11,158	3,595	-	3,595
Interest expense	(138,544)	-	-	-	(138,544)	-	(138,544)
Total governmental activities	<u>(5,003,706)</u>	<u>847,010</u>	<u>290,568</u>	<u>11,158</u>	<u>(3,854,970)</u>	<u>-</u>	<u>(3,854,970)</u>
<i>Business-type activities</i>							
Water/sewer	(2,080,227)	1,546,731	-	-	-	(533,496)	(533,496)
Electric	(13,212,643)	13,587,887	-	-	-	375,244	375,244
Total business-type activities	<u>(15,292,870)</u>	<u>15,134,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(158,252)</u>	<u>(158,252)</u>
Total primary government	<u>\$ (20,296,576)</u>	<u>\$ 15,981,628</u>	<u>\$ 290,568</u>	<u>\$ 11,158</u>	<u>\$ (3,854,970)</u>	<u>\$ (158,252)</u>	<u>\$ (4,013,222)</u>

General revenues:

Property/realty taxes	1,527,575	1,527,575
Ad valorem taxes	1,600,420	1,600,420
Ad valorem sheriff auto taxes	209,262	209,262
Franchise taxes	53,507	53,507
Sales taxes	893,183	893,183
Fines, fees, licenses, and permits	96,443	96,443
Intergovernmental	60,741	60,741
Investment income	21,206	79,883
Rent/leases	90,739	90,739
Contributions	1,668	1,668
Miscellaneous	135,228	135,228
Gain (loss) on sales of assets	4,960	4,960
Total general revenues and transfers	<u>4,694,932</u>	<u>4,753,609</u>
Change in net assets	<u>839,962</u>	<u>740,387</u>
Beginning net assets	<u>358,943</u>	<u>18,091,318</u>
Prior year adjustments	103,857	103,857
Ending net assets	<u>\$ 1,302,762</u>	<u>\$ 18,935,562</u>

See independent auditor's report and notes to the financial statements.

City of Aberdeen, Mississippi
Balance Sheet-Governmental Funds
For the year ended September 30, 2010

	Common City/General Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Pooled cash and investments	\$ 195,473	\$ -	\$ 195,473
Accounts receivables, net of allowances	47,355	3,760	51,115
Taxes receivable	163,589	54,735	218,324
Municipal fines receivable, net of allowances	122,859		122,859
Prepaid expenses	-	108,234	108,234
Due from other funds	4,146,730	181,617	4,328,347
Restricted assets-cash & investments	-	2,584,358	2,584,358
Total assets	<u>4,676,006</u>	<u>2,932,704</u>	<u>7,608,710</u>
Liabilities			
Accounts payable and accrued expenses	112,992	-	112,992
Deferred revenue	-	-	-
Wages/taxes payable	34,127	-	34,127
Compensated absences	-		-
Customer deposits	-	-	-
Due to others	-	-	-
Due to other funds	4,414,837	224,666	4,639,503
Total liabilities	<u>4,561,956</u>	<u>224,666</u>	<u>4,786,622</u>
Fund balances			
Reserved for debt service	-	1,570,294	1,570,294
Reserved for prepaids & inventory	-	108,234	108,234
Unreserved	114,050	1,029,510	1,143,560
Total fund balances	<u>114,050</u>	<u>2,708,038</u>	<u>2,822,088</u>
Total liabilities and fund balances	<u>\$ 4,676,006</u>	<u>\$ 2,932,704</u>	<u>\$ 7,608,710</u>

See independent auditor's report and notes to the financial statements.

City of Aberdeen, Mississippi
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the year ended September 30, 2010

	Common City/ General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Property/realty taxes	\$ 1,283,870	\$ 242,149	\$ 1,526,019
Advalorem taxes	1,600,420	-	1,600,420
Advalorem sheriff auto taxes	181,241	28,021	209,262
Franchise taxes	53,507	-	53,507
Sales taxes	893,183	-	893,183
Trash	135,219	-	135,219
Sanitation	539,251	-	539,251
Fines, fees, licenses, and permits	177,740	91,243	268,983
Intergovernmental	290,832	71,635	362,467
Investment income	218	20,988	21,206
Leases	39,040	51,699	90,739
Contributions	1,603	65	1,668
Miscellaneous	135,176	52	135,228
Total revenues	5,331,300	505,852	5,837,152
Expenditures			
General government	1,908,476	177,638	2,086,114
Public safety	1,664,694	49,100	1,713,794
Public works	839,774	48,389	888,163
Park and recreational	330,879	44,123	375,002
Airport	-	-	-
Health and human services	-	-	-
Capital outlay	18,638	251,320	269,958
Depreciation expense	-	-	-
Debt service:			
Principal	39,867	170,050	209,917
Interest and paying agent fee	2,104	85,314	87,418
Total expenditures	4,804,432	825,934	5,630,366
Excess of revenues over (under) expenditures	526,868	(320,082)	206,786
Other financing sources (uses)			
Proceeds from loan	-	1,567,946	1,567,946
Transfer in	160,023	100,000	260,023
Transfer out	-	(258,365)	(258,365)
Insurance proceeds	-	-	-
Sale of capital assets	4,960	146,000	150,960
Transfer to outside agency	-	-	-
Total other financing sources (uses)	164,983	1,555,581	1,720,564
Excess of revenues and other sources over (under) expenditures and other uses	691,851	1,235,499	1,927,350
Fund balances, beginning of year	(577,801)	1,368,682	790,881
Prior year adjustments & equity transfers	-	103,857	103,857
Fund balances, end of year	\$ 114,050	\$ 2,708,038	\$ 2,822,088

See Independent Auditor's Report and Notes to the Financial Statements.

City of Aberdeen, Mississippi
Reconciliation of Total Fund Balances to Total Net Assets
For the year ended September 30, 2010

Balance Sheet - Governmental Funds - Total fund balances		\$ 2,822,088
Internal Service Fund-due to/from eliminations	(786,491)	
Internal Service Fund-due to/from eliminations	-	
Amounts reported for governmental activities of the statement of net assets are different because:		
Notes receivable, economic development loans, net of \$118,334 allowance for doubtful accounts	285,314	
Prepaid insurance	5,312	
Loan origination fees 2009 St Pvg Bd, net of \$0 amortization	39,669	
Capital assets used in fund level statements are expensed upon use of financial resources to construct or acquire them. Capital assets for entity-wide statements are recognized as assets that are extinguished via depreciation charged over the life of the asset.		
Capital assets, net of accumulated depreciation	1,064,970	
Capital assets purchase, land/cemetery eqpmt, const in prgrs	353,691	
Capital assets sale (Hartville Bldg)	(146,000)	
Long-term debt uses current financial resources to pay off the principle portion and related interest expense. For entity-wide statements, the unpaid principle portion is recognized as a future obligation to be repaid over time.		
Long-term debt	(1,863,731)	
Note payable, land purchase-Cosby	(89,740)	
Compensated absences	(367,880)	
Accrued interest	(14,440)	
Subtotal		(1,519,326)
Government-wide Statement of Net Assets--Total net assets		\$ 1,302,762

See independent auditor's report and notes to the financial statements.

City of Aberdeen, Mississippi
Reconciliation of Changes in Net Assets
For the year ended September 30, 2010

Excess of revenues and other sources over (under) expenditures and other uses - Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds

\$ 1,927,350

Internal service fund eliminations-due to/from	9,116
Prepaid insurance	(69,499)
Fixed assets addition-cosby/coleman land addition/2009 street paving	353,691
Sale of Hartville Bldg	(146,000)
Depreciation expense	-
Notes receivable-UDAG economic development loans	(32,609)
Loan issuance costs	-

Bond proceeds are reported as financing sources in governmental funds financial statements thus contributed to the net change in fund balance. In the statement of net assets, however, issuing debt increases long term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds financial statements, but reduces the liability in the statement of net assets

Debt issued-1999 GO Bond	(1,540,000)
Debt issued-note payable-cosby land purchase	(89,740)
Principle payments	249,867
(Addition) reduction to compensated absences	58,578
(Addition) reduction to accrued interest	119,208

- (1,087,388)

Government-wide Statement of Activities--Changes in net assets - Governmental Activities

\$ 839,962

City of Aberdeen, Mississippi
Reconciliation Matrix (modified accrual to full accrual balances)
For the year ended September 30, 2010

	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Annual (Revenue) Expense</u>
Balance Sheet- Governmental & Internal Service Funds	\$ 7,608,710	\$ (4,786,622)	\$ (894,738)	\$ (1,927,350)
Prepaid insurance beg bal	74,811		(74,811)	-
Addition(reduction) in prepaid exps	(69,499)			69,499
Capital asset, beginning of year	1,064,970		(1,064,970)	-
Capital asset, additions Cosby/Coleman land/note payable/cemetery eqmt	228,633	(89,740)		(138,893)
Capital asset, additions-Construction in progress St Pvg 2009	125,058			(125,058)
Sale of property-Standard Industrial Fund-Hartville Bldg	(146,000)			146,000
Accumulated depreciation, beginning balances	-		-	-
UDAG loans Beg Bal	428,869		(428,869)	
UDAG new loans issued	10,612		-	(10,612)
UDAG principal pymts	(21,363)		-	21,363
UDAG loans allowance for dbtfl accts	(110,946)		110,946	-
Addition UDAG loans allowance for dbtfl accts	(21,858)			21,858
2009 GO Bond loan issuance cost fund 76 \$1,540,000	39,669		(39,669)	-
	-			-
				-
Eliminate interfund transactions (due to/from)	(5,308,426)	4,521,935	795,607	(9,116)
Eliminate interfund transactions (transfer in/out)		-		-
Long term debt, beginning of year	-	(573,598)	573,598	-
Debt issued 2009 GO bond \$1,540,000		(1,540,000)	-	1,540,000
Principal repayment		249,867	-	(249,867)
Accrued wages beg bal		-	-	-
Accrued wage add (reduce)		-	123,833	(123,833)
Accrued interest, beginning bal		(9,815)	9,815	-
Accrued interest add (reduce)	-	(4,625)		4,625
Addition(reduction) to compensated absence	-	58,578		(58,578)
Compensated absences, begn bal(pr yr admt)	-	(426,458)	426,458	-
	<u>(3,705,470)</u>	<u>2,186,144</u>	<u>431,938</u>	<u>1,087,388</u>
Close income/expense to equity			(839,962)	839,962
Government-wide Statement of Net Assets	\$ 3,903,240	\$ (2,600,478)	\$ (1,302,762)	\$ -

See Independent Auditor's Report and Notes to the Financial Statements.

City of Aberdeen, Mississippi
Statement of Net Assets - Proprietary Funds
For the year ended September 30, 2010

Assets	Water/ Sewer Utility Funds	Electric Department Fund	Total
Cash and cash equivalents	\$ -	\$ 56,417	\$ 56,417
Accounts receivable, less allowances	122,476	1,152,319	1,274,795
Prepaid expenses	50,176	5,312	55,488
Undistributed stores expense	-	(17,043)	(17,043)
Undistributed salaries expense	-	(12,738)	(12,738)
Notes receivable-common city TVA joint costs	-	116,091	116,091
Inventories	45,809	145,315	191,124
Interest receivable	16,413	-	16,413
Due from other funds	48,389	1,031,616	1,080,005
Total current assets	<u>283,263</u>	<u>2,477,289</u>	<u>2,760,552</u>
Capital assets			
Land	123,347	73,112	196,459
Buildings and improvements	195,727	2,607,517	2,803,244
Improvements other than buildings	5,010,289	6,000,888	11,011,177
Machinery and equipment	16,918,148	1,305,363	18,223,511
Infrastructure	-	275,770	275,770
Construction in progress	11,240	46,604	57,844
Total capital assets	<u>22,258,751</u>	<u>10,309,254</u>	<u>32,568,005</u>
Accumulated depreciation	<u>(7,781,606)</u>	<u>(5,287,916)</u>	<u>(13,069,522)</u>
Capital assets, net (note 6)	<u>14,477,145</u>	<u>5,021,338</u>	<u>19,498,483</u>
Non-current assets			
Cash-restricted for payment of debt obligations	1,315,311	610,752	1,926,063
Cash-restricted customers' security deposits	74,566	264,083	338,649
Other assets			
Notes receivable, net of allowance-non-current (note 1)	394,080	479,533	873,613
Notes receivable-common city TVA joint costs	-	499,008	499,008
Transportation clearing	241	30,225	30,466
Loan origination fees/bond issuance cost (net of amortization) (note 1)	54,597	74,906	129,503
Total non-current assets	<u>1,838,795</u>	<u>1,958,507</u>	<u>3,797,302</u>
Total assets	<u>16,599,203</u>	<u>9,457,134</u>	<u>26,056,337</u>
Liabilities			
Current liabilities			
Bank overdrafts	29,778	-	29,778
Accounts/claims payable	50,765	1,131,766	1,182,531
Deferred charges	-	18,050	18,050
Wages payable	3,731	16,071	19,802
Sales taxes payable	-	52,548	52,548
Due to other funds	140,434	574,591	715,025
Current portion of long-term debt-GO bonds (note 7)	40,000	190,000	230,000
Accrued compensated absences (note 7)	17,100	14,500	31,600
Notes payable (note 7)	78,285	-	78,285
Total current liabilities	<u>360,093</u>	<u>1,997,526</u>	<u>2,357,619</u>
Current liabilities payable from restricted assets			
Customer deposits	74,566	264,083	338,649
Accrued interest payable	13,729	29,756	43,485
Current portion of revenue bonds (note 7)	55,768	-	55,768
Total current liabilities payable from restricted assets	<u>144,063</u>	<u>293,839</u>	<u>437,902</u>
Long-term debt (less amounts classified as current liabilities)			
Accrued compensated absences (note 7)	18,279	28,856	47,135
General obligation bonds (note 7)	555,000	1,525,000	2,080,000
Notes payable (note 7)	3,327,238	173,643	3,500,881
Total long-term debt	<u>3,900,517</u>	<u>1,727,499</u>	<u>5,628,016</u>
Total liabilities	<u>4,404,673</u>	<u>4,018,864</u>	<u>8,423,537</u>
Net assets			
Invested in capital assets, net of related debt	10,420,854	3,132,695	13,553,549
Restricted for debt service	1,389,877	874,835	2,264,712
Unrestricted	383,799	1,430,740	1,814,539
Total net assets	<u>12,194,530</u>	<u>5,438,270</u>	<u>17,632,800</u>
Total liabilities and net assets	<u>\$ 16,599,203</u>	<u>\$ 9,457,134</u>	<u>\$ 26,056,337</u>

See independent auditor's report and notes to the financial statements

City of Aberdeen, Mississippi
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds
For the year ended September 30, 2010

	Water/ Sewer Utility Funds	Electric Department Fund	Total
Operating revenues			
Sales to customers	\$ 1,546,721	\$ 13,557,551	\$ 15,104,272
Other revenues	10	30,336	30,346
Total operating revenues	<u>1,546,731</u>	<u>13,587,887</u>	<u>15,134,618</u>
Operating expenses			
Operations	288,882	591,635	880,517
Purchase power	15,477	11,420,546	11,436,023
Maintenance	725,839	191,532	917,371
Payment in lieu of taxes (pilot)	200,000	675,000	875,000
Depreciation	506,520	230,603	737,123
Total operating expenses	<u>1,736,718</u>	<u>13,109,316</u>	<u>14,846,034</u>
Operating income (loss)	<u>(189,987)</u>	<u>478,571</u>	<u>288,584</u>
Non-operating revenues (expenses)			
Interest revenue	56,611	2,066	58,677
Interest and service charges	(176,824)	(113,685)	(290,509)
Miscellaneous	-	10,358	10,358
Total non-operating revenues (expenses)	<u>(120,213)</u>	<u>(101,261)</u>	<u>(221,474)</u>
Income (loss) before contributions and transfers	<u>(310,200)</u>	<u>377,310</u>	<u>67,110</u>
Other financing sources (uses)			
Transfers in	-	-	-
Bad debt	(166,685)	-	(166,685)
Transfers out	-	-	-
Total transfers in (out)	<u>(166,685)</u>	<u>-</u>	<u>(166,685)</u>
Changes in net assets	<u>(476,885)</u>	<u>377,310</u>	<u>(99,575)</u>
Net assets - beginning	12,671,415	5,060,960	17,732,375
Prior period adjustments	-	-	-
Net assets - ending	<u>\$ 12,194,530</u>	<u>\$ 5,438,270</u>	<u>\$ 17,632,800</u>

See independent auditor's report and notes to the financial statements.

City of Aberdeen, Mississippi
Statement of Cash Flows
Proprietary Funds
For the year ended September 30, 2010

	Water/Sewer Utility Fund	Electric Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,443,474	\$ 13,461,050	\$ 14,904,524
Payments to suppliers of goods and services	(388,528)	(12,301,180)	(12,689,708)
Payments to employees for services	(232,986)	(483,454)	(716,440)
Net Cash Provided by Operating Activities	<u>821,960</u>	<u>676,416</u>	<u>1,498,376</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds			-
Transfers to other funds	(200,000)	(675,000)	(875,000)
Operating grants			-
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(200,000)</u>	<u>(675,000)</u>	<u>(875,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(83,550)	(73,012)	(156,562)
Acquisition of note receivable		615,099	615,099
Proceeds from sales of capital assets		10,358	10,358
Principal paid on capital debt	(170,514)	(226,124)	(396,638)
Cash paid for interest on capital debt	(163,095)	(83,929)	(247,024)
Other capital and financing activities	(306,676)	(54,501)	(361,177)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(723,835)</u>	<u>187,891</u>	<u>(535,944)</u>
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES			
Investment income	56,611	2,066	58,677
Net Cash Provided By (Used for) Investing Activities	<u>56,611</u>	<u>2,066</u>	<u>58,677</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(45,264)</u>	<u>191,373</u>	<u>146,109</u>
Cash and Cash Equivalents at Beginning of Year			
Unrestricted	136,414	130,208	266,622
Restricted	1,298,727	609,671	1,908,398
Total cash beginning of year	<u>1,435,141</u>	<u>739,879</u>	<u>2,175,020</u>
Cash and Cash Equivalents at End of Year			
Unrestricted	-	56,417	56,417
Restricted	1,389,877	874,835	2,264,712
Total Cash and Cash Equivalents at End of Year	<u>\$ 1,389,877</u>	<u>\$ 931,252</u>	<u>\$ 2,321,129</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:			
Operating income (loss)	\$ (189,987)	\$ 478,571	\$ 288,584
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	506,520	230,603	737,123
Bad debt	166,685	-	166,685
(Increase) decrease in accounts receivable, net	103,257	126,837	230,094
(Increase) decrease in notes receivables, net	-	-	-
(Increase) decrease in prepaid expenses	(44,326)	40,631	(3,695)
(Increase) decrease in deferred debits	-	29,781	29,781
(Increase) decrease in inventories	-	15,872	15,872
(Increase) decrease in interest receivable	-	-	-
(Increase) decrease in due from other funds	279,679	(80,033)	199,646
Increase (decrease) in current liabilities	132	(165,846)	(165,714)
Total Adjustments	<u>1,011,947</u>	<u>197,845</u>	<u>1,209,792</u>
NET CASH FLOWS PROVIDED TO (USED IN) OPERATING ACTIVITIES	<u>\$ 821,960</u>	<u>\$ 676,416</u>	<u>\$ 1,498,376</u>
Other Non Cash Items:			
Noncash investing, capital, and financing activities:	\$ -	\$ -	\$ -
Fair value of donated assets	-	-	-
Lease purchase agreements	-	-	-

See independent auditor's report and notes to the financial statements.

City of Aberdeen, Mississippi
Statement of Fiduciary Net assets
For the year ended September 30, 2010

Assets	
Cash	\$ -
Restricted cash	78,275
Tax receivables	-
Due from others	117,568
Due from other funds	-
Total assets	<u>195,843</u>
 Liabilities	
Bank overdraft	2,667
Due to taxing authorities	73,358
Reserved for unemployment claims	-
Due to other taxing authorities	-
Accounts payable	119,818
Due to other funds	-
Total liabilities	<u>\$ 195,843</u>

See Independent Auditor's Report and Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Aberdeen, Mississippi operates under a Mayor-Alderman form of government and provides the following services: public safety (police & fire), public works (street and waste collection), recreation, building and ground improvements, utilities (electric and water & sewer), community services, urban redevelopment and housing, public improvements and general administrative services.

The primary government financial statements do not include funds of the Aberdeen School District or the Aberdeen Housing Authority, since these entities are administered by separate governing bodies.

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

Basic Financial Statements-Government-wide and Fund Level Statements

The basic financial statements include both government-wide (reporting as a whole) and fund financial statements (reporting major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Public safety, public works, economic development, health and human services, culture and recreation and general administration services are classified as governmental activities. Water, sewer, and electricity services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on the consolidated basis by column, (b) and are reported on the full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Restricted resources are utilized first to finance qualifying activities.

The government-wide Statement of Activities reports both on the gross and net cost of each function and business-type activities (police, fire, public works, etc.). The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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 applicants who 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. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflects capital-specific expenditures.

The Statement of Activities reduces gross expenses (including depreciation expense) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, fire, public works, etc.) or a business-type activity. Taxes and other items not properly included among program revenues are reported as *general revenues*. Net costs (by function or business-type activities) are normally covered by general revenue (property, sales or gas tax, intergovernmental revenues, interest income, etc.). The government-wide focus is more on the sustainability of the City as an entity and the changes in net assets resulting from current year's activities.

Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Major individual governmental funds are reported as separate columns in the fund financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary funds 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 City considers revenues to be available if they are collected within 60 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, claims and judgments, are recorded only when payment is due.

Significant revenues considered to be susceptible to accrual in addition to general property taxes include sales tax and various categorical grants.

The City reports the following governmental funds:

Governmental Funds

General Fund-the general fund is used to account for all financial resources of the primary government except those required to be accounted for in another fund. The majority of current operations are financed by this fund transfers to other funds and agencies are made from this fund. Monies from other funds may be received unless prohibited by the purpose and object of such funds. This is a major fund.

Special Revenue Funds- the special revenue fund is used to account for the proceeds of specific federal and state grants that are legally restricted to expenditures for specified purposes. These are non-major governmental funds.

Debt Service- the debt service fund was established to receive and account for resources restricted for the payment of interest and principal on general improvement bonds, notes and capital leases. These are non-major governmental funds.

Capital Projects Funds- the capital projects fund is used to account for the acquisition or construction of major capital facilities other than those financed by proprietary funds. These are non-major governmental fund.

Proprietary Funds:

Electric Fund- this fund is used to account for the City's electric distribution system. This fund is responsible for electric power delivery to the residents of the City of Aberdeen.

Water & Sewer Fund- this fund is used to account for the City's water treatment and sewer distribution systems. This fund is responsible for water delivery to and sewer extraction from the residents of the City of Aberdeen.

The City reports the following major fiduciary funds:

Fiduciary Funds:

Agency Funds- these funds are used to account 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 (assets equal liabilities), and do not involve measurement of results for operations. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues are those which cannot be associated directly with program activities.

Proprietary funds distinguish operating revenues and expenses from Nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary funds are as follows:

- 1) Sale of water for the Water Fund and sale of electricity for the Electric Fund.
- 2) Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets.
- 3) 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, and then unrestricted resources as they are needed.

Financial Reporting Entity

The City's combined financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is a fiscal dependency by the organization on the City

Included within the reporting entity:

City of Aberdeen Electric Department and City of Aberdeen Water and Sewer Department. The rates for user charges and bond issuance authorizations also are approved by the governments governing body and the legal liability for the general obligation portion of the electric, water and sewer debt remains with the government.

Budgets and Budgetary Accounting

The Mayor and Board of Alderman generally follow the following proposed budget calendar of the State Department of Audit in establishing the budgetary data reflected in the financial statements.

1. The Mayor and Board of Alderman formulates the budget policy at the May board meeting.
2. Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
3. A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
4. Between August 15th-30th a public hearing is held and the budget is adopted. The anticipated tax levy is reviewed to determine whether public notice is required on any levy.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (continued)

5. Between September 1st-15th the budget must be adopted and the tax levy set.
6. Between September 1st-30th, in accordance with the City's population, the budget must be published in a municipal newspaper.
7. Between September 1st-30th the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection.
8. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.
9. Further, budgets are used as management control devices in the General, Debt Service, Special Revenue and Proprietary Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except the Proprietary Fund's budget recognizes all expenditures for debt as expense and no depreciation expense is recognized.

Budgetary data for the Capital Projects Fund has not been presented in the accompanying combined financial statements as such funds are budgeted over the life of the respective project and not on an annual basis.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts after appropriate revisions during the year.

Expenditures may not legally exceed budgeted appropriations at the activity level except for capital outlays, election expenses and emergency expenditures.

Revenue Recognition- Property Taxes

Property taxes attach as an enforceable lien on property as of February 1st. taxes are levied on October 1st and are due and payable at that time. All unpaid taxes levied October 1st become delinquent February 1st of the following year.

General Obligation Enterprise Bonds

The Enterprise Funds provide the annual debt service requirements on certain general obligation enterprise bonds (not secured by system revenues) issued to finance system improvements. Since the Enterprise Funds provide the annual debt service on these general obligation enterprise bonds, the bonds are considered to be obligations of the Enterprise Funds and have been reported on the balance sheets of the Enterprise Funds.

Although the general obligation enterprise bonds are reported on the balance sheets of the Enterprise Funds, they are backed by the full faith and credit of the City and are therefore a contingent liability to the general government.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Aberdeen.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth *minimum* criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in fund financial statements.

Fiduciary funds are presented in the fiduciary fund statements by type (unemployment, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid debt instruments purchased with an original maturity of three months or less when acquired are considered to be cash equivalents.

2. Receivables

Receivables at September 30, 2010, consisted primarily of property and other taxes, accounts (billings for user charged services including unbilled utility services), intergovernmental receivables arising from entitlements and shared revenues, and accrued interest on investments.

All accounts receivables are shown net of allowance for uncollectible amounts where applicable. The allowance is based on management estimates and the average age of receivables, except for the fines (municipal) receivable because the City has not adopted a policy to determine the uncollectability of such accounts.

3. Business Information

The City of Aberdeen, Mississippi provides electric, water and sewer and solid waste collection services to customers located within the city limits of Aberdeen, Mississippi as well as a limited number of customers outside the city limits. Credit is extended to all of these customers for services.

4. Inventories

Inventories for proprietary fund types are valued at cost. The City does not maintain inventory records for any other fund types.

5. Compensated Absences

The City's liability at September 30, 2010 for vested, but unused, vacation and sick leave is reflected as expenditures and is expected to be liquidated with expendable available financial resources, as provided by Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences.

6. Cash and Investments

The City deposits funds in financial institutions selected by the Board of Alderman in accordance with state statutes.

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 Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holdings deposits of public funds must pledge securities as collateral against those deposits equal to at least 106% 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).

Investments- State statutes authorize the government to invest in interest bearing certificates of deposit issued by a qualified depository of the government or in direct obligation of the United States of America.

State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursements for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.

Investments

Investments are recorded at fair value in accordance with GASB Statement No. 31 with all investment income, including interest from short-term interest bearing securities being recognized as earned. Statutes authorize the City to invest in U.S. Government agency obligations, State of Mississippi obligations, and obligations of a corporation of the U.S. Government.

Securities traded in a national or international exchange are valued at the last reported sales price at current exchange rates. Short-term investments are reported at fair value when published prices are available, or at cost plus accrued interest, which approximates fair value. For individual investments where no readily ascertainable fair value exists, the Public Employees' Retirement System, in consultation with its investment advisors and custodial bank, has determined the fair values.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Reserves

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of all reserves used by the City:

- (1) Reserved for debt service- an account used to segregate a portion of fund balance for debt service resources legally restricted to the payment of long-term debt principal and interest amounts maturing in future years.
- (2) Reserved for special revenue- an account used to segregate a portion of fund balance for special revenue resources restricted for the use related to the grant funds received and other restrictions.
- (3) Reserved for capital projects- an account that represents the portion of the fund balance that is legally restricted for capital improvements.

Loans to Other Funds or Other Governmental Units

Advances represent the noncurrent portions (due after one year) or inter-fund loans or loans to other governmental units. The current portions of loans are reported as ("due from or due to") in the asset and liability accounts and are considered available resources.

Bond Discounts, Bond Premiums and Issuance Costs

In the government funds, bond discounts, bond premiums and issuance costs are treated as period costs in the year of issue. Bond premiums and discounts are shown as "*Other Financing Sources/Uses*".

In the proprietary funds and government-wide financial statements, bond discounts, bond premiums and issuance costs are deferred and amortized over the term of the bonds utilizing the outstanding method, which approximate the effective interest method. Bond discounts and premium are presented as a reduction and increase, respectively, of the face amount of the revenue bond payable, where issuance costs are recorded as other assets.

The City obtained financing through the Mississippi Department of Environmental Quality State Revolving Fund Program for the construction of various projects. The City was charged for administrative services of the loans. In accordance with general accepted accounting principles (GAAP), these costs are reflected as "other asset" and are required to be amortized over the lives of the respective loans. The net value of the issuance costs was \$169,172 at September 30, 2010.

The City has failed to amortize its loan issuance costs for years and the amounts reflected on the financial statements are not fairly presented.

1. Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. As presented on page 39, these accounts were incorrectly recorded and resulted in some charges being recorded as expenses/revenues in the fund level statements.

2. Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations are reported as non-operating revenues based on GASB No. 33. In applying GASB No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

3. Expenditures

Expenditures are recognized when the related fund liability is incurred. The cost of governmental fund type inventories are recorded as expenditures when purchased rather than when consumed.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Reserves and Designations

Portions of fund equity are segregated for future use and therefore, are not available for future appropriations or expenditure.

5. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

6. Pension Expenses

The City funds pension expenses as required by applicable statute. Two plans, funded from both City and employee contributions are described in Note 4.

7. Post-Employment Health Care and Life Insurance Benefits

The City does not incur costs associated with post-employment benefits for retired employees, but allows vested employees to continue in the group plan after retirement. However, the retired employee pays 100% of premiums.

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Actual results could differ from those estimates.

9. New Accounting Standards

The City will adopt the following new accounting pronouncements in future years:

GASB Statement No. 39 - This Statement amends Statement No. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. *GASB-S45-Post Employment Benefits* is not applicable to the City.

10. Notes Receivables

Notes receivables represent loans to citizens for energy loans for heat pumps and insulation programs (collateralized), economic development loans (secured), and unpaid extended pay programs for energy bills. Allowance for doubtful accounts are not established.

NOTE 2 – PROPERTY TAXES

Property Taxes

Property taxes, except motor vehicles, attach as an enforceable lien on property as of February 1st. The City bills and collects its own property taxes, except motor vehicle taxes, and also collects taxes for the Separate School District. Motor vehicle taxes are collected by the County Tax Collector and remitted to the City. Taxes are levied October 1st and become delinquent February 1st of the following year. Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

NOTE 2 – PROPERTY TAXES (CONTINUED)

The assessed value of taxable property within the City and Aberdeen School District for 2010 is shown below:

ASSESSED VALUATION	FY-2010	FY-2009
<i>City</i>		
Real property	\$ 19,506,646	\$ 19,159,785
Personal property	7,171,206	7,416,905
Auto	3,680,678	4,051,195
Public utilities	2,144,551	1,187,316
Mobile homes	119,451	-
Subtotal City valuation	32,622,532	31,815,201
<i>Separate School District</i>		
Real property	17,473,640	16,476,339
Personal property	23,394,128	13,156,006
Auto	6,004,230	6,518,645
Public utilities	19,486,680	18,978,865
Mobile homes	718,297	-
Subtotal separate school district	67,076,975	55,129,855
Total City and SSD	\$ 99,699,507	\$ 86,945,056

The millage (Tax levy) was allocated as follows:

<i>City Levy</i>	FYE 2010	FYE 2009	Diff
Common City Fund	\$ 50.66	\$ 48.80	\$ 1.86
Public Improvement Fund	3.51	3.65	(0.14)
Street Paving Notes Fund	4.89	1.05	3.84
Industrial Park Maintenance Fund	0.50	0.50	-
Library Maintenance Fund	1.35	1.35	-
Magnolias Maintenance Fund	1.00	1.00	-
Subtotal city levy	61.91	56.35	5.56
<i>School Levy</i>			
School Bond and Interest Fund	1.51	1.95	(0.44)
School District Maintenance Fund	40.25	45.37	(5.12)
Subtotal school levy	41.76	47.32	-5.56
Total tax levy	\$ 103.67	\$ 103.67	\$ -

Collections for the School Maintenance Fund, the School Minimum Program Fund, the Hospital, the Magnolias, and Library Maintenance Funds are remitted by the City to the appropriate entity.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

NOTE 3 – PROPERTY, PLANT, AND EQUIPMENT-PROPRIETARY FUND TYPES (CONTD)

For the Enterprise Funds, the accumulated provision for depreciation is charged with retirements together with removal cost less salvage. Generally, because of the composite character of the provision no other adjustments of accumulated depreciation are made in recording retirements. The Electric Fund Utility Plant accounts are carried at original costs (costs to the organization first devoting the plant to public services), which is required by governmental regulatory bodies.

NOTE 4-- DEFINED BENEFIT PENSION PLAN

• **Plan Description - PERS**

The City of Aberdeen contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. 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. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to PER System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1006, or by calling (601) 359-3589 or 1-800-444-PERS.

• **Funding Policy - PERS**

PERS members are required to contribute 7.25% of their annual covered salary and the City of Aberdeen, Mississippi is required to contribute at an actuarially determined rate. The current rate is 11.85% 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 to PERS for the years ended September 30, 2010, 2009, and 2008 were \$300,970, \$324,781, and \$25,0418 respectively, equal to the required contributions for each year.

NOTE 5- LITIGATION

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the City. In the opinion of the elected officials, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the City if disposed of unfavorably.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

NOTE 6- CAPITAL ASSETS

The following is a summary of capital asset activity as of September 30, 2010:

Capital Assets

	Balance Oct 1, 2009	Prior year adjustments	Additions	Sale reclass/ disposals	Balance Sept 30, 2010
Primary Government:					
<i>Governmental Activities:</i>					
<i>Capital assets not being depreciated:</i>					
Land	\$ -	\$ -	\$ 221,734	\$ -	\$ 221,734
Construction in progress	-	-	125,058	-	125,058
Total capital assets not being depreciated	-	-	346,792	-	346,792
<i>Capital assets being depreciated:</i>					
Buildings & improvements	-	-	-	-	-
Improvements other than buildings	146,853	-	-	(146,000)	853
Machinery and equipment	490,306	-	6,899	-	497,205
Infrastructure	427,811	-	-	-	427,811
Total capital assets being depreciated	1,064,970	-	6,899	(146,000)	925,869
Total capital assets, governmental activities	1,064,970	-	353,691	-	1,272,661
Less accumulated depreciation	-	-	-	-	-
Net governmental activities assets	\$ 1,064,970	\$ -	\$ 353,691	\$ -	\$ 1,272,661
<i>Business-Type Activities</i>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 196,459	-	\$ -	-	\$ 196,459
Construction in progress	-	-	57,844	-	57,844
Total capital assets not being depreciated	196,459	-	57,844	-	254,303
<i>Capital assets being depreciated:</i>					
Buildings & improvements	1,814,044	-	-	989,200	2,803,244
Improvements other than buildings	1,166	-	98,718	10,911,293	11,011,177
Machinery and equipment	30,399,774	-	-	(12,176,263)	18,223,511
Infrastructure	-	-	-	275,770	275,770
Total capital assets being depreciated	32,214,984	-	98,718	-	32,313,702
Total capital assets, business type	32,411,443	-	156,562	-	32,568,005
Less accumulated depreciation	(12,332,399)	-	(737,123)	-	(13,069,522)
Net capital assets, business type	20,079,044	-	(580,561)	-	19,498,483
Total capital assets, net	\$ 21,144,014	\$ -	\$ (226,870)	\$ -	\$ 20,771,144

The City adopted a capitalization threshold of \$500 for general fixed assets and a threshold to all general fixed assets in service. The City has not retroactively capitalized infrastructure assets in service. The beginning accumulated depreciation balances have not been adjusted to reflect the City's new capitalization policy. The City has not recorded the cost of its buildings, accumulated depreciation, or expense, and inadequately recorded the costs of its roads, streets, and sidewalks in its Governmental Activities. The City's subsidiary records are inadequate to document its capital assets recorded.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

NOTE 6- FIXED ASSETS (CONTINUED)

Capital Assets (continued)

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on the proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. Depreciation has been calculated on the fixed assets using the following useful lives:

Assets	<u>Years</u>
Plant, buildings & improvements	5-40
Furniture and fixtures	5-20
Machinery and equipment	5-15
Vehicles	5-10
Infrastructure	Not recorded/depreciated

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

<u>Governmental Activities</u>	
General government	\$ -
Public safety	-
Public works	-
Culture & recreation	-
Total depreciation expense-governmental activities	<u>\$ -</u>
<u>Business-Type Activities</u>	
Electric department	\$ 230,603
Water & sewer	506,520
Total depreciation expense-business-type activities	<u>\$ 737,123</u>

Interest is capitalized on proprietary fund asset constructed with the proceeds of tax exempt debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

GASB No. 34 requires the City to report and depreciate new infrastructure assets effective June 15, 2002. Infrastructure assets include roads, bridges, sidewalks, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure was subject to an extended implementation period and is mandated to be reported for the fiscal year ending 2006. The city has not complied with the GASB mandate and such noncompliance has necessitated an adverse opinion in the City's financial statements.

NOTE 7- LONG-TERM DEBT

• **General Obligation Bonds:**

General obligation bonds include General City Bonds, Water & Sewer G.O. Bonds, and Industrial G.O. Bonds. Resolutions adopted by the City authorizing the issuance of Water & Sewer Department bonds set forth certain accounting requirements concerning revenues. The City complied, in all material respects with these requirements. The City is required to transfer revenues into restricted funds on a monthly basis until certain maximum fund balances have been achieved. Restricted funds had either attained their maximum balances or required transfers were being made.

The city collects rental payments from various companies, equal to the debt service requirements, for Industrial General Obligation Bonds. Title to the property and equipment purchased from bond proceeds will pass to each company upon retirement of the applicable bonds.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

NOTE 7- LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all general obligation bonds, electric revenue bonds, capital leases and notes outstanding as of September 30, 2010, are below:

Year Ending September 30,	Governmental Funds	Business-Type Activities	Total
2011	\$ 324,935	\$ 364,053	\$ 688,988
2012	326,633	378,799	705,432
2013	357,615	398,296	755,911
2014	213,820	418,854	632,674
2015	220,827	434,305	655,132
Thereafter	1,035,000	3,950,627	4,985,627
Total future minimum payments	<u>2,478,830</u>	<u>5,944,934</u>	<u>8,423,764</u>
Amount representing interest	516,692	2,442,539	2,959,231
Present value of future payments	<u>\$ 2,995,522</u>	<u>\$ 8,387,473</u>	<u>\$ 11,382,995</u>

Capital Leases

The following is a schedule of required future minimum lease payments:

	Governmental Funds	Business- Type Activities	Total
Lease agreements are as follows:			
(4) 2009 Crown Victoria: \$98,334, int. 3.00%, maturity 2/5/13 date issued 10/3/02-BancorpSouth-Equipment Finance	\$ 73,731	\$ -	\$ 73,731
2007 E350 Van: \$21,065, int. 4.44%, maturity 5/5/10 date issued 10/3/02-BancorpSouth-Equipment Finance	-	-	-
Backhoe: \$53,832, interest 4.25%, maturity date 1/10/10 date issued 10/3/02-BancorpSouth-Equipment Finance	-	-	-
2006 International: \$44,689, interest 3.30%, maturity date 2/15/10 date issued 2/11/05-Renasant Bank (People's Bank)	-	-	-
All Funds	<u>\$ 73,731</u>	<u>\$ -</u>	<u>\$ 73,731</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)					
FOR THE YEAR ENDED SEPTEMBER 30, 2010					
NOTE 7- LONG TERM DEBT (CONTINUED)					
	Balance Outstanding 10/1/09	Issued	Prior Year Adjustment	Retired	Balance Outstanding 9/30/10
Governmental Activities:					
General Obligation Bonds Payables					
GO Public Improvement Bonds-Series 1998	\$ 425,000	\$ -	\$ -	\$ 100,000	\$ 325,000
GO Street Bonds-Series 2009		1,540,000		75,000	1,465,000
Subtotal GO bonds payable	425,000	1,540,000	-	175,000	1,790,000
Notes Payable					
2004 Street Paving	35,000			35,000	-
TVA joint expenses & advances		615,099			615,099
Subtotal GO notes payable	35,000	615,099	-	35,000	615,099
Capital Leases					
Renasant Bank/(Peoples)-\$44,689	4,013			4,013	-
BancorpSouth-\$98,334	98,334			24,603	73,731
BancorpSouth-\$44,940	-			-	-
BancorpSouth-\$53,928	6,325			6,325	-
BancorpSouth-\$21,065	4,926			4,926	-
Subtotal GO capital leases	113,598	-	-	39,867	73,731
Total governmental activities	573,598	2,155,099	-	249,867	2,478,830
Other Long-Term Debt					
Compensated absences	426,458			58,578	367,880
Subtotal other long-term debt	426,458	-	-	58,578	367,880
Total governmental long-term debt	1,000,056	2,155,099	-	308,445	2,846,710
Business-Type Activities					
Water & Sewer GO Bonds					
GO Bonds Series-2001	635,000			40,000	595,000
Subtotal water & sewer go bonds	635,000	-	-	40,000	595,000
State Sewer Loan Fund-Notes Payable					
Nanacor-non-interest bearing note	129,413			-	129,413
N/P Cap Loan \$996,798, mat-11/1/19 (MDA)	577,436			45,350	532,086
N/P Cap Loan \$539,500, mat-6/1/20 (MDA)	327,878			24,114	303,764
N/P USDA-8/20/1992	200,600			8,352	192,248
N/P USDA-9/18/2002	348,470			7,992	340,478
N/P USDA-3/3/2003	803,187			16,964	786,223
N/P USDA-3/24/2004	882,846			22,515	860,331
N/P USDA-4/4/2007	321,975			5,227	316,748
Subtotal to state sewer loan fund-n/p	3,591,805	-	-	130,514	3,461,291
Subtotal w&s bonds, notes, & capital leases	4,226,805	-	-	170,514	4,056,291
Other Long-Term Debt					
Compensated absences	28,689	6,690			35,379
Subtotal other long-term debt	28,689	6,690	-	-	35,379
Total w&s utilities long-term debt	4,255,494	6,690	-	170,514	4,091,670
Electric Fund					
Electric Revenue Bonds					
Electric revenue bond-\$1,150,000, mat-4/1/2021	845,000			50,000	795,000
Electric revenue bond-\$1,735,000, mat-4/1/2016	1,055,000			135,000	920,000
N/P-Regions Bank (HP)-(TVA)	149,986	64,781		41,124	173,643
Subtotal electric revenue bonds & n/p	2,049,986	64,781	-	226,124	1,888,643
Other Long-Term Debt					
Compensated absences	119,531			76,175	43,356
Subtotal other long-term debt	119,531	-	-	76,175	43,356
Total business-type activities long-term debt	6,425,011	71,471	-	472,813	6,023,669
Total long-term debt	\$ 7,425,067	\$ 2,226,570	\$ -	\$ 781,258	\$ 8,870,379

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

NOTE 7 -LONG TERM DEBT(CONTINUED)

Detail of bonds, notes, and capital leases outstanding:

	Interest Rates	Issue Date	Maturity Date	Original Amount	Balance September 30, 2010		
					Governmental Activities	Business-Type Activities	Total
General Obligation Bonds:							
Hancock Bank	3.88%	10/01/98	10/01/13	\$ 1,250,000	\$ 325,000	\$ -	\$ 325,000
First National Bank of Clarksdale	4.875%	09/01/09	09/01/24	1,540,000	1,465,000	-	1,465,000
First National Bank of Clarksdale	6.00%		9/03-9/04	875,000	-	595,000	595,000
Electric Revenue Bonds-Series 2001	5.0% to 7.0%	04/01/01	04/01/21	1,150,000	-	795,000	795,000
Electric Revenue Refunding Bonds-2003	1.5% to 4.3%	12/15/03	04/01/16	1,735,000	-	920,000	920,000
				6,550,000	1,790,000	2,310,000	\$ 4,100,000
Other Issued Debt:							
<i>Notes payable:</i>							
BancorpSouth	4.45%		11/17/09	175,000	-	-	-
Tennessee Valley Authority		08/02/10		615,099	615,099		615,099
Regions Bank-(HP)/TVA Loan	Varies	Varies	Varies		-	173,643	173,643
<i>State Revolving Loan:</i>							
Mississippi Development Authority	3.00%	11/25/97	01/01/19	996,798	-	532,086	532,086
Mississippi Development Authority	3.00%	10/06/89	06/01/20	539,500	-	303,764	303,764
Nanacor	Non int.	01/01/98	09/30/04	-	-	129,413	129,413
USDA Rural Development	5.63%	08/20/90	09/30/23	288,500	-	192,248	192,248
USDA Rural Development	4.50%	09/18/02	12/31/33	400,000	-	340,478	340,478
USDA Rural Development	4.50%	03/03/03	05/03/35	898,000	-	786,223	786,223
USDA Rural Development	4.13%	05/24/04	09/30/42	903,600	-	860,331	860,331
USDA Rural Development	4.13%	04/04/07	12/31/41	322,000	-	316,748	316,748
<i>Capital Leases:</i>							
Renasant Bank (People's)	3.30%	02/11/05	02/15/10	44,689	-	-	-
BancorpSouth Equipment Finance	4.25%	10/03/02	01/10/10	53,832	-	-	-
BancorpSouth Equipment Finance	4.44%	10/03/02	05/05/10	21,065	-	-	-
BancorpSouth Equipment Finance	3.00%	08/20/09	02/05/13	98,334	73,731	-	73,731
				5,356,417	688,830	3,634,934	4,323,764
Total bonds, notes, & capital leases				11,906,417	2,478,830	5,944,934	8,423,764
		Compensated absences		-	367,880	78,735	446,615
Total Long-term debt				11,906,417	2,846,710	6,023,669	8,870,379
Reconciliation to Gov't-wide Stmt of Net Assets:							
			Less: TVA debt (interfund)		(615,099)	-	(615,099)
			Add: Notes payable- land		89,740	-	89,740
Reconciled debt to Gov't-wide Stmt of Net Assets				\$ 2,321,351	\$ 6,023,669	\$ 8,345,020	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2010

NOTE 7- LONG TERM DEBT (CONTINUED)

Annual debt service requirements to maturity for general obligation bonds are as follows:

Governmental Activities

	General Obligation Bonds Amount	Notes & Leases Amount	Total Outstanding Debt Amount
2011	\$ 185,000	\$ 139,935	\$ 324,935
2012	185,000	141,633	326,633
2013	200,000	157,615	357,615
2014	90,000	123,820	213,820
2015	95,000	125,827	220,827
Thereafter	1,035,000	-	1,035,000
Total payments	<u>1,790,000</u>	<u>688,830</u>	<u>2,478,830</u>
Interest	512,162	4,530	516,692
Total	<u>\$ 2,302,162</u>	<u>\$ 693,360</u>	<u>\$ 2,995,522</u>

Business-Type Activities

	General Obligation Bonds Major Enterprise Fund, Water/Sewer and Electric	Notes & Leases Major Enterprise Fund, Water/Sewer, and Electric	Total Outstanding Debt Amount
2011	\$ 230,000	\$ 134,053	\$ 364,053
2012	240,000	138,799	378,799
2013	255,000	143,296	398,296
2014	270,000	148,854	418,854
2015	280,000	154,305	434,305
Thereafter	1,035,000	2,915,627	3,950,627
Total payments	<u>2,310,000</u>	<u>3,634,934</u>	<u>5,944,934</u>
Interest	562,971	1,879,568	2,442,539
Total	<u>\$ 2,872,971</u>	<u>\$ 5,514,502</u>	<u>\$ 8,387,473</u>

Maturities are as follows:

Year Ending September 30,	Amount
2011	\$ 688,988
2012	705,432
2013	755,911
2014	632,674
2015	655,132
Thereafter	4,985,627
Total future minimum payment	<u>8,423,764</u>
Amount representing interest	2,959,231
Present value of future payment	<u>\$ 11,382,995</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

NOTE 7- LONG TERM DEBT (CONTINUED)

- Limitation of Indebtedness:

No municipality shall hereafter issue bonds for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed 15 percent of the assessed value of the taxable property within such municipality, according to the then last completed assessment for taxation. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewer systems, gas, and light and power purposes and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case shall any municipality contract any indebtedness which, when added to all of the outstanding indebtedness, both bonded and floating, shall exceed 20 percent of the assessed value of all taxable property within such municipality. Nothing herein contained shall be construed to apply to bonds heretofore issued by any municipality for school purposes, or to bonds heretofore or hereafter issued by any municipality which are payable exclusively from the revenues of any municipally-owned utility, or to bonds issued by any municipality under the provisions of Sections 57-1 -1 to 57 -1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-4-1 through 21-41-53.

The following is a schedule of limitations on the indebtedness of the City, at September 30, 2010.

Authorized Debt Limit	<u>15 Percent</u>	<u>20 Percent</u>
Assessed valuation for fiscal year ended September 30, 2010	\$ 32,622,532	\$ 32,622,532
Debt limit-15% - 20%	4,893,380	6,524,506
Present debt subject to 15-20 percent limitation	(2,478,830)	
Including debt subject to only 15 percent limitation		(2,478,830)
Margin for further debt	<u>\$ 2,414,550</u>	<u>\$ 4,045,676</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

NOTE 8- INTERFUND BALANCES

Interfund Transactions

During the normal course of operations, the City has numerous transactions between funds including expenditures and transfers of resources. Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and assets acquisitions, or maintaining debt service on a routine basis. The governmental and business type funds reflect such transactions as operating transfers or interfund receivables. Interfund transfer in/transfer out, due from and due to balances as of September 30, 2010 were as follows:

Interfund operating transfers are as follows:

Fund	Unadjusted			
	Transfer In	Transfer Out	Due From	Due to
Governmental Activities				
Common city fund	\$ 11,051	\$ -	\$ 3,921,730	\$ 4,414,867
Loan transfer-UDAG	148,972			
Urban development	-	139,872	27,732	4,650
Cemetery maintenance	-	-	14,860	-
Tourism fund	-	-	5,816	-
Public improvement fund	-	-	38,900	-
Holley building maintenance fund	100,000	-	-	406
Street paving fund-331	-	-	187	36,000
S&J escrow fund	-	118,000	-	-
Law enforcement block grant	-	493	-	-
Standard industrial fund	-	-	137,500	131,090
Street paving fund-75	-	-	172	57,170
Total governmental fund	260,023	258,365	4,146,897	4,644,183
Business-Type Activities				
<i>Water & sewer</i>				
Loan receivable-common city			253,068	
Due from other funds	-	-	48,389	68,908
<i>Electric department</i>				
Accounts receivable- municipality	-	-	486,950	
Accounts receivable- water	-	-	726,974	
Accounts payable-municipality				79,492
Accounts payable-sewer				58,054
Accounts payable-water				(291,552)
Taxes accrued				293,750
Total business-type activities	-	-	1,515,381	208,652
Agency/Fiduciary Funds				
Tax redemption			195,228	205,298
City clerks clearing fund			225,638	232,060
Payroll clearing fund				192,403
Total agency/fiduciary funds	-	-	420,866	629,761
Totals	\$ 260,023	\$ 258,365	\$ 6,083,144	\$ 5,482,596
Out of balance		\$ (1,658)		\$ (600,548)

The out of balance amounts represented above are incorrectly reflected as revenue and/or expense in the fund level financial statements and resulted in a qualification of the audit opinion for the year ended September 30, 2010. Certain amounts, not shown here, were the result of timing differences due to the Electric department fiscal year end at June 30th. Those amounts were recorded as prepaid expenses or deferred credits/revenue, and corrected in the Government-wide presentation.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

NOTE 9-DEFERRED COMPENSATION

Deferred Compensation Plan

The City offers its employees, through the Mississippi Public Employees' Retirement System (PERS), a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employee to defer a portion of salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until retirement, termination, death, or the occurrence of an unforeseeable emergency. Investments are managed by the plan's trustee under one of four investment options, or a combination thereof. The choice of the investment option(s) is made by the participant.

Until January 1, 1997, deferred compensation, property and rights purchased with those amounts, and income attributable to those amounts, property, or rights were (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the Plan). Participants' rights under the Plan were equal to those of general creditors in an amount equal to the fair market value of the deferred account for each participant.

On January 1, 1997, the City amended the plan in accordance with the provisions of IRC Section 457(g). On that date, assets of the plan were placed in trust for the exclusive benefit of participants and their beneficiaries. The requirements of that IRC Section prescribe that the City no longer owns the amounts deferred by employees, including the related income on those amounts. Additionally, the City does not have fiduciary accountability for the plan.

NOTE 10- RISK MANAGEMENT

1. Workers' Compensation is provided in the State of Mississippi Liability Program.

2. Unemployment Benefits

The City participates in the State of Mississippi unemployment program and pays .005% of the 1st \$7,000 of salary for all covered employees. In addition, there is a Tax Reserve Fund which pays 2% on the 1st \$7,000 of salary per employee. Dollars are paid from this fund for wrongful termination and loss of job.

3. Tort Liability

In compliance with the Tort Claims, Chapter 46 of Title 11 and as amended by the 1993 legislature, Section 11-46-17(3) requires municipalities from and after October 1993, to obtain such policies of insurance, establish self-insurance reserves, or provide a combination of insurance and reserves necessary to cover risks of claims and suits for which the City may be liable under the Tort Claims Act.

In order to assure compliance with the Tort Claims Act, the Mississippi Tort Claims Board was established by House Bill 417. Municipalities are required to submit plans of insurance, self-insurance and or reserves to the Tort Claims Board for approval.

Municipalities may comply with the requirements of the Tort Claims Act by one of the following methods: (1) purchase of liability insurance, (2) pooling of two or more municipalities or other political subdivisions or, to self-insure, (3) self-insure with the establishment of a self-insurance reserve fund. The City is in compliance by using method number one as indicated above.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

NOTE 10-RISK MANAGEMENT (CONTINUED)

4. Contingencies and Commitments

The City participated in a number of Federal, State and County programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. The City believes that disallowed expenditures, if any, found in subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

The City has various commitments under construction contracts. Total estimated cost to complete the projects approximates \$56,300 with various expected completion dates through September 30, 2011.

The City is defendant in various law suits and potential claims against the City. The eventual outcomes are undeterminable at this time as to their ultimate disposition and resultant settlements, if any. Management believes that settlement, if any, will be covered by liability insurance.

The City entered into a joint and several relationships with other public entities in the Mississippi Municipal Workers' Compensation Group and the Mississippi Municipal Liability Group. Each member shares responsibility for premium contributions based on payroll and their own loss experience as well as assessments needed for fund inadequacies. They also share the benefit of fund surplus in the form of dividends when applicable. No assessment was made or is probable for the year ended September 30, 2010.

The city of Aberdeen 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 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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

NOTE 11 - DETAILED NOTES ON ALL FUNDS

Analysis of Net Assets:

	Governmental Net Assets				Business-Type Activities				Total Primary Gov't
	Invested in Capital Assets, Net of Debt	Rest'd	Unrest'd	Total	Invested in Capital Assets, Net of Debt	Rest'd	Unrest'd	Total	
Bal 9/30/09	\$ 491,372	\$ 159,298	\$ (291,727)	\$ 358,943	\$ 13,802,253	\$ 1,908,398	\$ 2,021,724	\$ 17,732,375	\$ 18,091,318
PY adjmts-GO bond debt/int.	-	103,857		103,857				-	103,857
Subtotal	491,372	263,155	(291,727)	462,800	13,802,253	1,908,398	2,021,724	17,732,375	18,195,175
Equity Transfers									
Interfund elimination		(552,357)	552,357	-		284,800	(284,800)	-	-
New debt issued	(1,629,740)	1,540,000	89,740	-	(64,781)		64,781	-	-
Notes rec-UDAG-issued		(10,612)	10,612	-				-	-
Notes rec-UDAG-pymnts		21,363	(21,363)	-				-	-
Notes rec-UDAG-allownc		(21,858)	21,858	-				-	-
Loan origination fees		39,669	(39,669)	-		129,503	(129,503)	-	-
Depreciation exp.	-	-	-	-	(737,123)		737,123	-	-
Debt payment	249,867	-	(249,867)	-	396,638	(396,638)		-	-
Prepaid expenses		69,499	(69,499)	-				-	-
Sale of capital assets	(146,000)		146,000	-					
Capital assets purchased	353,691		(353,691)	-	156,562		(156,562)	-	-
Excess rev (exp)	(1,172,182)	1,085,704	86,478	-	(248,704)	17,665	231,039	-	-
Change in net assets	-	1,235,499	(395,537)	839,962			(99,575)	(99,575)	740,387
Bal 9/30/10	\$ (680,810)	\$ 2,584,358	\$ (600,786)	\$ 1,302,762	\$ 13,553,549	\$ 1,926,063	\$ 2,153,188	17,632,800	\$ 18,935,562

REQUIRED SUPPLEMENTAL INFORMATION

City of Aberdeen Mississippi
Budgetary Comparison Schedule (Common City Fund)
For the year ended September 30, 2010

	General Fund			Actual Over Positive (Negative)
	Budgeted Amounts		Unaudited Actual	
	Original	Final		
Revenues:				
Real & ad valorem taxes	\$ 1,630,000	\$ 2,639,688	\$ 2,639,688	\$ -
Sales taxes	897,000	815,274	815,274	-
Licenses, fees & permits	79,000	35,076	35,076	-
Fines and forfeitures	133,100	140,207	140,207	-
Intergovernmental	928,500	383,095	383,095	-
Sanitation & trash	524,200	548,685	548,685	-
Miscellaneous	257,018	169,233	169,233	-
Total revenue	4,448,818	4,731,258	4,731,258	-
Expenditures:				
General government	1,618,423	1,611,871	1,611,871	-
Public safety	1562904	1,583,967	1,583,967	-
Public works	951,715	813,472	813,472	-
Health & welfare	40,190	66,050	66,050	-
Culture & recreation	275,586	322,226	322,226	-
Capital projects	-	316,770	316,770	-
Debt service:				
Principal	-	-	-	-
Interest and paying agent fee	-	-	-	-
Total expenditures	4,448,818	4,714,356	4,714,356	-
Excess of revenues over (under) expenditures	-	16,902	16,902	-
Other financing sources (uses):				
Transfer in		160,023	160,023	-
Sale of capital assets		760	760	-
Total other financing sources (uses)	-	160,783	160,783	-
Excess of revenues and other sources over (under) expenditures and other uses	-	177,685	177,685	-
Cash balances, beginning of year	25,000	25,000	4,811	(20,189)
Cash balances, end of year	\$ 25,000	\$ 202,685	\$ 182,496	\$ (20,189)

Adjustments necessary to convert the results of operation at end of year on the budget basis to the modified accrual basis (GAAP) are as follows:

Excess of revenues and other sources over (under) expenditures and other uses per the Budgetary Comparison Schedule	\$ 177,685
(Increases) decreases from revenues	-
(Increases) decreases from expenditures	-
(Increases) decreases from other financing sources	-
Accrued as liabilities at September 30, 2010 (GAAP) but not in budget	514,166
Net change in fund balance per the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 691,851

SINGLE AUDIT SECTION

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**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 Alderman
City of Aberdeen, Mississippi

I have audited the accompanying financial statements of the City of Aberdeen, Mississippi ("the City") as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements, and have issued my report thereon dated March 25, 2011. I issued an adverse opinion in my report on the primary government because the City did not properly value fixed assets, depreciation expense, accumulated depreciation, related court fines doubtful accounts, amortize loan issue costs, and incorrectly recorded intercompany transactions, and omitted certain pension disclosure for the year under audit. As a result, I was unable to form an opinion as to completeness regarding revenues and expenditures in the accompanying statement of activities. Except as discussed in the preceding sentence, I conducted my 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.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. [2010-1 and 2010-2].

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, I consider items 2010-1 and 2010-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of law, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as finding 2010-2 and 2010-3.

I noted certain matters that I reported to management of the City in a separate letter dated March 25, 2011.

The City's responses to the findings identified in my audit are described in its Corrective Action Plan. I did not audit the City's responses and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Mayor, Board of Aldermen, management, office of the State Auditor of the State of Mississippi, federal-awarding agencies, and pass-through entities, 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.

Charles Buchanan, CPA
Jackson, MS
March 25, 2011

City of Aberdeen, Mississippi
Schedule of Findings and Questioned Costs
For the year ended September 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's opinion:	Adverse
Internal control over financial reporting:	
• Material weaknesses identified?	___x___yes ___no
• Significant deficiencies identified that are not considered to be material weaknesses?	___yes ___x___none reported
Noncompliance material to the financial statements noted?	___x___yes ___no
Auditee qualified as a low-risk auditee	___yes ___x___no

Section II - Financial Statement Findings

This section includes audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

2010-1 Finding: **Transfers in/out and Intercompany Due to/Due from Not in Agreement and Duplicated Revenues/Expenses.**

Condition: Accounting personnel incorrectly recorded interfund transfers as revenue or expense.

Criteria: A transfer of funds from one account should be recorded as a transfer out in the transferring fund and as a transfer in to the receiving fund. This requires two separate transactions; one for each fund. When the Board determines that funds should be repaid as a result of a transfer, this creates a "Due to & Due From", or a temporary loan. When this transaction is performed, it also requires two separate transactions; one for each fund. Simply put, if there is a transfer of funds whether it is required to be repaid or not, there must be a transfer in and a transfer out, or a due to and a due from.

Cause: Accounting personnel responsible for recording such transaction failed to review, analyze, and correct the books of accounts on a regular basis.

Effect: Equity transfers and temporary loans were recorded as revenues and/or expenses causing duplicate reporting of /revenues and expenses.

Recommendation: I recommend additional accounting training in fund accounting.

2010-2 Finding: The City has not fully implemented GASB-34 which, among other things, requires all governments to value and record capital assets including infrastructure, vehicles, buildings, land and other fixed assets. There is no documentation to support the City's fixed assets or depreciation.

Condition: The City's governmental activities does not fully report its capital assets consisting of buildings, streets, sidewalks, bridges, levees, lagoons, and other fixed assets. The governmental activities do not report depreciation expense on those assets that are reported.

Criteria: GASB-Statement 34, effective during 2002, required the City to record, value, depreciate and report capital assets no later than December 15, 2006. The City has not fully implemented GASB-S34.

Cause: The City's finances and accounting leadership were not adequate to fully implement GASB-S34.

Effect: The City will receive an adverse opinion on its audit report due to the materiality of the omission of capital assets and depreciation.

Recommendation: I recommend the City develop a financial plan to fully implement all GASB pronouncements. The City may consider implementing the accounting standards in phases, utilizing whatever amount of funds the Board considers available annually, perhaps over five years, or such other plan that the City considers feasible under the current and anticipated budgets.

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City of Aberdeen, Mississippi
Summary Schedule of Prior Year Audit Findings
In Accordance with Government Auditing Standards
For the year ended September 30, 2010

The prior year audit report issued for the year ended September 30, 2009, included audit findings that *Governmental Auditing Standards* requires to be reported for an audit of financial statements

- | | |
|-----------------|---|
| 2009-1 Finding: | Interfund receivable/payables- transfers in/out were not balanced; revenues/expenses duplicated. |
| Status: | Not implemented. |
| 2009-2 Finding: | Certain bank accounts not reconciled; others expensed closed/transferred without board authorization. |
| Status: | Implemented. |
| 2009-3 Finding: | GASB-34 not implemented. |
| Status: | Not implemented. |

**CITY OF ABERDEEN, MISSISSIPPI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior report's Schedule of Findings and Questioned Costs. The summary schedule also must include finding reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the year ended September 30, 2009, included no audit finding that OMB A-133 requires to be reported for an audit of financial statements.

SUPPLEMENTAL INFORMATION

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

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

I have audited the financial statements of the City of Aberdeen Mississippi as of and for the year ended September 30, 2010, and have issued my report thereon dated March 25, 2011. I conducted my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of those procedures and my audit of the basic financial statements disclosed material instances of noncompliance with state laws and regulations. Prior year findings were also noted in the 2009 audit.

Current year findings

2010-2 The City does not value governmental activities capital assets as required by GASB-34 nor has it maintained fixed assets records necessary to determine what assets it depreciates in the governmental or proprietary funds (Repeat 2009-5).

2010-3 The Mississippi State Auditor prescribes the structure of the Chart of Accounts for the City's Chart of accounts. TVA mandates an accounting structure and provides a chart of accounts and manual forms for the City to convert its Electric Department's chart of accounts to TVA's required structure. Yet the City utilizes TVA's account structure in its chart of accounts for its Electric and Water & Sewer departments which does not comply with State statutes. Furthermore, TVA has no authority over the City's water & sewer funds (Repeat 2009-4), (Section 7-7-211, 21-35-11, & 21-39-5).

A summary of prior year finding status is as follows:

Finding: 07-1 Fixed assets not inventoried, tagged.
2009-3

Status Implemented.

Finding: 07-2 Certain budgets not prepared/monitored.
Status: Implemented.

Finding: 2009-4 City does not comply with the State Auditor's Chart of Accounts.
2010-3

Status: Not implemented.

Finding: 2009-5 City does not fully comply with GASB-34 capitalization/depreciation of fixed assets.
2010-2

Status: Not implemented.

The instances of noncompliance of the prior year have been corrected by management unless it is specifically stated otherwise in the findings and recommendation noted above.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action/ has been taken.

This report is intended solely for the use of the audit committee, Mayor, Board of Alderman, 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.

Charles Buchanan, CPA

Jackson, MS
March 25, 2011

City of Aberdeen, Mississippi
Combining Balance Sheet-General Funds
For the year ended September 30, 2010

	Common City/ General Fund
Assets	
Pooled cash and investments	\$ 195,473
Accounts receivables, net of allowances	47,355
Taxes receivable	163,589
Municipal fines receivable, net of allowance	122,859
Due from other funds	4,146,730
Restricted assets-cash	-
Restricted assets-investments	-
Total assets	<u>4,676,006</u>
 Liabilities	
Accounts payable and accrued expenses	112,992
Wages/payroll txs payable	34,127
Due to other funds	4,414,837
Total liabilities	<u>4,561,956</u>
 Fund balances	
Reserved for encumbrances	-
Reserved for prepaid expenses & inventory	-
Unreserved	114,050
Total fund balances	<u>114,050</u>
Total liabilities and fund balances	<u>\$ 4,676,006</u>

See independent auditor's report and notes to the financial statements.

City of Aberdeen, Mississippi
Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund
For the year ended September 30, 2010

	Common City/General Fund
Revenues	
Realty taxes	\$ 1,283,870
Ad valorem taxes	1,600,420
Ad valorem sheriff's auto taxes	181,241
Franchise taxes	53,507
Sales taxes	893,183
Trash	135,219
Sanitation	539,251
Fines, fees, licenses, and permits	177,740
Intergovernmental	290,832
Investment income	218
Leases	39,040
Contributions	1,603
Miscellaneous	135,176
Total revenues	<u>5,331,300</u>
Expenditures	
General government	1,908,476
Parks and recreations	330,879
Public safety	1,664,694
Public works	839,774
Capital outlay	18,638
Depreciation expense	-
Debt service:	
Principal	39,867
Interest and paying agent fee	2,104
Total expenditures	<u>4,804,432</u>
Excess of revenues over (under) expenditures	<u>526,868</u>
Other financing sources (uses):	
Transfer in	160,023
Sale of capital assets	4,960
Total other financing sources (uses)	<u>164,983</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>691,851</u>
Fund balances, beginning of year	(577,801)
Prior year adjustments & equity transfers	-
Fund balances, end of year	<u>\$ 114,050</u>

See independent auditor's report and notes to the financial statements.

City of Aberdeen, Mississippi
 Combining Balance Sheet-Nonmajor Governmental Funds
 For the year ended September 30, 2010

	HOME	Municipal	S & J	Tourism	Street Paving	Standard	Urban	Cemetery	Port	Police	Law	Street	Park	1998 Public	Street Paving	Prairie	Holley	Total Non-	
	Grant Fund	Fire Fund	Escrow Fund	Fund	Fund 2004	Industrial Fund	Development Fund	Maintenance Fund	Maintenance Fund	Narcotics Fund	Enforcement Block Grant	Pavement Fund	Construction & Improvement Fund	Improvement Fund	Street Paving Fund 2009	2007 Street Bond Fund	Building Maintenance Fund	Major Governmental Funds	
Assets																			
Restricted cash and investments	\$ 29	\$ 102,217	\$ 60,928	\$ 9,570	123,412	\$ 388,673	\$ 34,654	\$ 6,039	\$ 256,280	\$ 12,376	\$ 11	\$ 18,021	\$ -	\$ 17,418	\$ 1,444,642	\$ 10,641	\$ 99,447	\$ 2,584,358	
Accounts receivables	-	-	-	-	-	188	-	-	-	3,572	-	-	-	-	-	-	-	-	3,760
Taxes receivable	-	-	-	-	-	-	-	-	-	-	-	54,735	-	-	-	-	-	-	54,735
Notes receivable, net of allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expense	-	-	-	-	-	-	-	-	-	-	-	-	-	108,234	-	-	-	-	108,234
Due from other funds	-	-	-	5,816	172	137,500	23,082	14,860	-	-	-	187	-	-	-	-	-	-	181,617
Total assets	29	102,217	60,928	15,386	123,584	526,361	57,736	20,899	256,280	15,948	11	72,943	-	125,652	1,444,642	10,641	99,447	2,932,704	
Liabilities																			
Bank overdraft	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable and accrued expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wages payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Encumbrance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	57,170	131,090	-	-	-	-	-	36,000	-	-	-	-	406	224,666	
Total liabilities	-	-	-	-	57,170	131,090	-	-	-	-	-	36,000	-	-	-	-	406	224,666	
Fund balances																			
Reserved for encumbrances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserved for debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	125,652	1,444,642	-	-	1,570,294	
Unreserved	29	102,217	60,928	15,386	66,414	395,271	57,736	20,899	256,280	15,948	11	36,943	-	-	-	10,641	99,041	1,137,744	
Total fund balances	29	102,217	60,928	15,386	66,414	395,271	57,736	20,899	256,280	15,948	11	36,943	-	125,652	1,444,642	10,641	99,041	2,708,038	
Total liabilities and fund balances	\$ 29	\$ 102,217	\$ 60,928	\$ 15,386	\$ 123,584	\$ 526,361	\$ 57,736	\$ 20,899	\$ 256,280	\$ 15,948	\$ 11	\$ 72,943	\$ -	\$ 125,652	\$ 1,444,642	\$ 10,641	\$ 99,447	\$ 2,932,704	

City of Aberdeen, Mississippi
Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
For the year ended September 30, 2010

	HOME Grant Fund	Municipal Fire Fund	S & J Escrow Fund	Tourism Fund	Street Paving Fund	Standard Industrial Fund	Urban Development Fund	Cemetery Maintenance Fund	Port Maintenance Fund	Police Narcotics Fund	Law Enforcement Block Grant	Street Pavement Fund	Park Maintenance & Construction Fund	Public Improvement Fund	Street Paving Fund 2009	Prairie Construction 2007 Street Bond Fund	Holley Building Maintenance Fund	Total Non- Major Governmental Funds
Revenues																		
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 354	\$ 13,590	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 95,350	\$ 132,855	\$ -	\$ -	\$ 242,149
Personal taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Auto taxes	-	-	-	-	-	1,677	-	-	-	-	-	6	-	11,725	14,613	-	-	28,021
Franchise taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gaming taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas, fuel and road taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, fees, licenses, and permits	-	34,939	-	49,267	-	-	-	-	-	7,037	-	-	-	-	-	-	-	91,243
Intergovernmental	-	-	-	19,564	-	-	-	-	8,109	-	32,804	-	-	-	11,158	-	-	71,635
Investment income	-	65	740	18	545	322	12,440	11	233	34	120	17	-	62	6,374	-	7	20,988
Leases	-	-	-	-	-	15,748	-	-	35,951	-	-	-	-	-	-	-	-	51,699
Contributions	-	-	-	65	-	-	-	-	-	-	-	-	-	-	-	-	-	65
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	52	-	-	-	52
Total revenues	-	35,004	740	68,914	899	31,337	12,440	11	44,293	7,071	32,924	23	-	107,189	165,000	-	7	505,852
Expenditures																		
General government	-	-	-	86,521	-	91,111	6	-	-	-	-	-	-	-	-	-	-	177,638
Public safety	-	-	-	-	-	-	-	-	-	16,364	32,736	-	-	-	-	-	-	49,100
Public works	-	-	-	-	35,004	-	-	-	-	-	-	-	-	-	13,385	-	-	48,389
Culture and recreational	-	-	-	-	-	-	-	-	43,157	-	-	-	-	-	-	-	966	44,123
Airport	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	88,598	-	6,899	41,840	445	177	-	-	-	113,361	-	-	251,320
Debt service:																		
Principal	-	-	-	-	50	-	-	-	-	-	-	-	-	95,000	75,000	-	-	170,050
Interest and paying agent fee	-	-	-	-	1,731	-	-	-	-	-	-	-	-	18,859	64,724	-	-	85,314
Total expenditures	-	-	-	86,521	36,785	179,709	6	6,899	84,997	16,809	32,913	-	-	113,859	266,470	-	966	825,934
Excess of revenues over (under) expenditures	-	35,004	740	(17,607)	(35,886)	(148,372)	12,434	(6,888)	(40,704)	(9,738)	11	23	-	(6,670)	(101,470)	-	(959)	(320,082)
Other financing sources (uses):																		
Proceeds from loan	-	-	-	-	-	-	21,834	-	-	-	-	-	-	-	1,546,112	-	-	1,567,946
Transfer in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,000	100,000
Transfer out	-	-	(118,000)	-	-	-	(139,872)	-	-	-	(493)	-	-	-	-	-	-	(258,365)
Insurance proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	146,000	-	-	-	-	-	-	-	-	-	-	-	146,000
Transfer to outside agency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	(118,000)	-	-	146,000	(118,038)	-	-	-	(493)	-	-	-	1,546,112	-	100,000	1,555,581
Excess of revenues and other sources over (under) expenditures and other uses	-	35,004	(117,260)	(17,607)	(35,886)	(2,372)	(105,604)	(6,888)	(40,704)	(9,738)	(482)	23	-	(6,670)	1,444,642	-	99,041	1,235,499
Fund balances, beginning of year	29	67,213	178,188	32,993	102,300	397,643	163,340	27,787	296,984	25,686	493	36,920	1,436	27,029	-	10,641	-	1,368,682
Prior year adjustments & equity transfers	-	-	-	-	-	-	-	-	-	-	-	-	(1,436)	105,293	-	-	-	103,857
Fund balances, end of year	\$ 29	\$ 102,217	\$ 60,928	\$ 15,386	\$ 66,414	\$ 395,271	\$ 57,736	\$ 20,899	\$ 256,280	\$ 15,948	\$ 11	\$ 36,943	\$ -	\$ 125,652	\$ 1,444,642	\$ 10,641	\$ 99,041	\$ 2,708,038

City of Aberdeen, Mississippi
Combining Statement of Net Assets - Major Proprietary Funds
For the year ended September 30, 2010

	Water/Sewer Utility	Electric Fund	Total
Assets			
Cash and cash equivalents	\$ -	\$ 56,417	\$ 56,417
Accounts receivable, less allowances	122,476	1,152,319	1,274,795
Prepaid expenses	50,176	5,312	55,488
Undistributed stores expense	-	(17,043)	(17,043)
Undistributed salaries expense	-	(12,738)	(12,738)
Inventories	45,809	145,315	191,124
Interest receivable	16,413	-	16,413
Notes receivable-Common City (TVA)		116,091	116,091
Due from other funds	48,389	1,031,616	1,080,005
Total current assets	283,263	2,477,289	2,760,552
Capital assets			
Land	123,347	73,112	196,459
Buildings and improvements	195,727	2,607,517	2,803,244
Improvements other than buildings	5,010,289	6,000,888	11,011,177
Furniture, fixture, and equipment	-	-	-
Machinery and equipment	16,918,148	1,305,363	18,223,511
Vehicles	-	-	-
Infrastructure	-	275,770	275,770
Leased equipment	-	-	-
Construction in progress	11,240	46,604	57,844
Total capital assets	22,258,751	10,309,254	32,568,005
Less: accumulated depreciation	(7,781,606)	(5,287,916)	(13,069,522)
Capital assets, net	14,477,145	5,021,338	19,498,483
Non-current assets			
Cash-restricted for payment of debt obligations	1,315,311	610,752	1,926,063
Cash-restricted customers' security deposits	74,566	264,083	338,649
Other assets			
Notes receivable, net of allowance-non-current (note 1)	394,080	479,533	873,613
Notes receivable-common city TVA joint costs		499,008	499,008
Transportation clearing	241	30,225	30,466
Loan origination fees/bond issuance cost (net of amortization)	54,597	74,906	129,503
Total non-current assets	1,838,795	1,958,507	3,797,302
Total assets	16,599,203	9,457,134	26,056,337
Liabilities			
Current liabilities			
Bank overdrafts	29,778		29,778
Accounts/claims payable	50,765	1,131,766	1,182,531
Deferred charges	-	18,050	18,050
Wages payable	3,731	16,071	19,802
Sales taxes payable		52,548	52,548
Due to other funds	140,434	574,591	715,025
Current portion of long-term debt			
Accrued compensated absences	17,100	14,500	31,600
Notes payable (note 7)	78,285	-	78,285
General obligation bonds (note 7)	40,000	190,000	230,000
Total current liabilities	360,093	1,997,526	2,357,619
Current liabilities payable from restricted assets			
Customer deposits	74,566	264,083	338,649
Accrued interest payable	13,729	29,756	43,485
Current portion of revenue bonds (note 7)	55,768		55,768
Total current liabilities payable from restricted assets	144,063	293,839	437,902
Long-term debt (less amounts classified as current liabilities)			
Revenue bonds (net of unamortized discount/premium)			
Accrued compensated absences (note 7)	18,279	28,856	47,135
General obligation bonds (note 7)	555,000	1,525,000	2,080,000
Notes payable (note 7)	3,327,238	173,643	3,500,881
Total long-term debt	3,900,517	1,727,499	5,628,016
Total liabilities	4,404,673	4,018,864	8,423,537
Net assets			
Invested in capital assets, net of related debt	10,420,854	3,132,695	13,553,549
Restricted for debt service	1,315,311	610,752	1,926,063
Unrestricted	458,365	1,694,823	2,153,188
Total net assets	12,194,530	5,438,270	17,632,800
Total liabilities/net assets	\$ 16,599,203	\$ 9,457,134	\$ 26,056,337

See independent auditor's report and notes to the financial statements.

City of Aberdeen, Mississippi
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Major Proprietary Funds
For the year ended September 30, 2010

	Water/Sewer Utility	Electric Fund	Total
Operating revenues			
Charges for services	\$ 1,546,721	\$ 13,557,551	\$ 15,104,272
Other revenues	10	30,336	30,346
Total operating revenues	<u>1,546,731</u>	<u>13,587,887</u>	<u>15,134,618</u>
Operating expenses			
Operations	288,882	591,635	880,517
Purchase power	15,477	11,420,546	11,436,023
Maintenance	725,839	191,532	917,371
Payment in lieu of taxes (pilot)	200,000	675,000	875,000
Depreciation expense	506,520	230,603	737,123
Total operating expenses	<u>1,736,718</u>	<u>13,109,316</u>	<u>14,846,034</u>
Operating income (loss)	<u>(189,987)</u>	<u>478,571</u>	<u>288,584</u>
<i>Non-operating revenues (expenses):</i>			
Interest income	56,611	2,066	58,677
Interest expense	(176,824)	(113,685)	(290,509)
Miscellaneous-revenue (expense)	-	10,358	10,358
Total non-operating revenues (expenses)	<u>(120,213)</u>	<u>(101,261)</u>	<u>(221,474)</u>
Income (loss) before contributions and transfers	<u>(310,200)</u>	<u>377,310</u>	<u>67,110</u>
<i>Other financing sources (uses)</i>			
Bad debt	(166,685)	-	(166,685)
Total transfers in (out)	<u>(166,685)</u>	<u>-</u>	<u>(166,685)</u>
Change in net assets	<u>(476,885)</u>	<u>377,310</u>	<u>(99,575)</u>
Total net assets - beginning	12,671,415	5,060,960	17,732,375
Prior period adjustments			-
Total net assets - ending	<u><u>\$ 12,194,530</u></u>	<u><u>\$ 5,438,270</u></u>	<u><u>\$ 17,632,800</u></u>

See independent Auditor's Report and Notes to the Financial Statements.

City of Aberdeen, Mississippi
Combining Statement of Fiduciary Assets and Liabilities
For the year ended September 30, 2010

	600 Tax Redemption Fund	602 Payroll Clearing Fund	601 City Clerks Tax Clearing	610 Health Insurance	Statement of Fiduciary Net Assets
Assets					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash	71,807	-	6,422	46	78,275
Due from other funds	-	195,797	-	-	195,797
Total assets	<u>71,807</u>	<u>195,797</u>	<u>6,422</u>	<u>46</u>	<u>274,072</u>
 Liabilities					
Bank overdraft	-	2,667	-		2,667
Due to taxing authorities	-	73,358	-		73,358
Due to others (payroll withholdings)	-	119,772		46	119,818
Due to other funds	71,807	-	6,422		78,229
Total liabilities	<u>\$ 71,807</u>	<u>\$ 195,797</u>	<u>\$ 6,422</u>	<u>\$ 46</u>	<u>\$ 274,072</u>

See Independent Auditor's Report and Notes to the Financial Statements.

City of Aberdeen, Mississippi
Schedule of Surety Bonds
September 30, 2010

Position	Surety Company	Bond Amt.
Mayor	Union Insurance Co.	\$ 100,000
Alderman	Great River Insurance	100,000
Alderman	Great River Insurance	100,000
Alderman	Great River Insurance	100,000
Alderman	Great River Insurance	100,000
Alderman	Great River Insurance	100,000
City Clerk	Travelers	50,000
City Comptroller	USF&G	50,000
Accounting Clerk	Union Insurance Co.	50,000
Police Chief	Western Surety	50,000
Utility Manager	Union Insurance Co	50,000
Cashier	Western Surety	50,000
Mayor Secretary	Western Surety	50,000
Police Mayor	Union Insurance Co.	50,000
Clerk	Berkley	50,000
Clerk	Berkley	50,000
Municipal Court Clerk	Western Surety	25,000
Clerk	Berkley	25,000
Caretaker-Morgan's Landing	Union Insurance Co.	25,000
Caretaker-Morgan's Landing	Union Insurance Co.	25,000
Cashier	Western Surety	10,000
Cashier	Western Surety	10,000
Cashier	Union Insurance Co.	10,000
Customer Service	Western Surety	10,000
Meter Reader	Union Insurance Co.	10,000
Meter Reader	Union Insurance Co.	10,000
Parks Director	Travelers	10,000
Police Dispatcher	Western Surety	10,000
Police Dispatcher	Western Surety	10,000
Police Dispatcher	Western Surety	10,000
Police Dispatcher	Western Surety	10,000