



Financial Statements
December 31, 2011

City of Aberdeen

City Council

Expires

Mayor	Mike Levsen	2014
NE District Council Member	Jim Kraft.....	2012
NE District Council Member	Jeff Mitchell	2013
NW District Council Member	Todd Campbell	2012
NW District Council Member	Jennifer Slight-Hansen.....	2014
SE District Council Member	Clint Rux.....	2012
SE District Council Member	Laure Swanson	2015
SW District Council Member	David Bunsness.....	2015
SW District Council Member	Tom Agnitsch	2013

Appointive Officers

City Manager	Lynn A. Lander
Finance Officer	Karl M. Alberts
Deputy Finance Officer	Gerald L. Kost
Human Resource Director	Alan D. Ruhlman
City Attorney	Adam H. Altman
City Engineer/Public Works Director.....	Robin J. Bobzien
Public Works Assistant Director	Clarence J. Fjeldheim
Assistant City Engineer	Stuart A. Nelson
Transportation Director	Michael Wilson
Police Chief.....	Donald E. Lanpher, Jr.
Police Captain	Neil E. Bittner
Police Captain	David M. McNeil
Fire Chief.....	William T. Winter
Battalion Chief	Kevin L. VanMeter
Battalion Chief	Randy D. Meister
Battalion Chief	Todd A. Salfrank
Fire Marshal.....	Michael J. Thompson
Planning & Zoning Director	Brett E. Bill
Wastewater Treatment Superintendent.....	Peter S. Hesla
Wastewater Pretreatment Coordinator.....	Peggi L. Badten
Water Treatment Superintendent	Janel R. Ellingson
Water Treatment Chemist.....	Timothy J. Murray
Park/Recreation/Forestry Director	Douglas W. Johnson
Park Superintendent	Mark D. Hoven
Recreation Superintendent	Gene A. Morsching
Forester	Aaron J. Kiesz
Golf Course Superintendent.....	Gary L. Nelson
Cemetery Sexton	Kathie A. Allstot
Library Director	Shirley M. Arment
Mayor/City Manager/City Attorney's Secretary.....	Cathryn M. Feickert

Governing Boards

Parks and Recreation Board (5 Years)

Expires

Sheryl Erickson, President	2016
Matt Prehn	2016
Brenda Stapp	2015
Paul Fauth	2015
Art Russo	2014
Bob Wilson	2013
Susan Bostian	2012
Todd Campbell, City Council Member	
Tom Agnitsch, City Council Member	

Airport Board (5 Years)

Expires

Mike Erickson, Chairperson	2015
Dr. Kennon Broadhurst	2016
Steve Kaiser	2014
Rolf Johnson	2013
Nate Zeeb	2012
Jeff Mitchell, City Council Member	
Mike Wiese, County Commissioner	

Library Board (3 Years)

Expires

Rob Ronayne, President	2012
Maeve King	2014
Cec Peters	2013
Troy McQuillen	2013
Sandy Andera	2012
Clint Rux, City Council Member	

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis	3
Financial Statements.	
Statement of Net Assets–Exhibit I.....	15
Statement of Activities–Exhibit II.....	16
Balance Sheet–Governmental Funds–Exhibit III.....	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances–Exhibit IV	19
Reconciliation of the Statement of Revenues, Expenditures and Changes to the Government-Wide Statement of Activities.....	21
Statement of Net Assets–Proprietary Funds–Exhibit V.....	22
Statement of Revenues, Expenses and Changes in Net Assets–Proprietary Funds–Exhibit VI.....	24
Statement of Cash Flows–Proprietary Funds–Exhibit VII.....	25
Notes to Financial Statements	27
Required Supplementary Information	
Budgetary Comparison Schedule–General Fund	54
Budgetary Comparison Schedule–Park and Recreation Fund.....	56
Budgetary Comparison Schedule–Special Revenue Fund–Special Sales Tax Fund	57
Notes to Required Supplementary Information.....	58
Supplementary Information	
Combining Balance Sheet–Nonmajor Governmental Funds	59
Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Nonmajor Governmental Funds	60
Combining Statement of Net Assets–Nonmajor Enterprise Funds	61
Combining Statement of Revenues, Expenses and Changes in Net Assets–Nonmajor Enterprise Funds.....	62
Combining Statement of Cash Flows–Nonmajor Enterprise Funds.....	63
Statement of Cash Flows–Discretely Presented Component Unit	64
Schedule of Expenditures of Federal Awards	66
Summary Schedule of Prior Audit Findings	68
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	70
Independent Auditor’s Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	72
Schedule of Findings and Questioned Costs.....	74
Corrective Action Plan (Unaudited).....	77



Independent Auditor's Report

The City Council
City of Aberdeen
Aberdeen, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Aberdeen, South Dakota as of and for the year ended December 31, 2011, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 14 and 54 through 58, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our 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 and discretely presented component unit's statement of cash flows are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The accompanying corrective action plan is presented for the purpose of additional analysis and is not a required part of the financial statements. The corrective action plan has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on it.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
August 27, 2012

The following is a discussion and analysis of the City of Aberdeen's (herein after referred to as the City) financial performance and position, providing an overview of the City's financial activities for the fiscal year ended December 31, 2011. In addition, this discussion and analysis provides comparisons with the previous year.

Financial Highlights

Government-Wide

The assets of the City exceeded its liabilities at the close of the fiscal year by \$126.763 million (reported as net assets), an increase of \$2.265 million from the previous year.

Fund Level

As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$6.015 million, with \$994,888 reported as unassigned, \$1.021 million reported as assigned, \$3.648 million reported as restricted, and the remaining amount of \$351,390 reported as nonspendable. At the end of the fiscal year, the fund balance for the General Fund was \$2.491 million, of which \$1.597 million was unassigned, \$603,600 was assigned only to be used to fund fiscal year 2012 appropriations, and \$289,711 was reported as nonspendable.

Proprietary funds reported net assets at year-end of \$40.402 million, an increase of \$45,000 during the year.

Long-Term Debt

The primary government's total long-term outstanding loans and bonded debt totaled \$55.495 million, a decrease of \$388,000 from the previous year. Of the total outstanding loans and bonded debt, \$47.4 million is backed by the City. During 2011, the City funded the Series 2005 ARCC Renovation sales tax revenue bonds and the Tax Increment Revenue Bonds #2, which resulted in a net increase in debt principal of \$105,000. The rest of debt increase was for two State Revolving Loans from the South Dakota Department of Environment and Natural Resources for wastewater treatment plant improvements in the amount of \$2,096,384 and watershed projects in the amount of \$176,055. The decrease represents principal payments of \$2,947,855 of previous outstanding debt. Although unpledged, water charges are assumed to be responsible for repayment of the State Revolving Loan for water treatment improvements. Conversely, sewer charges have been pledged and will make the repayment of the State Revolving Loan for sewer treatment improvement. Sales tax revenues have been pledged for the repayment of the State Revolving Loan for automated water meter upgrades.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements and component unit financial statements; and, 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements (Reporting the City as A Whole)

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the City's financial position that aids in assessing the City's economic condition at the end of the fiscal year. These statements include all non-fiduciary assets and liabilities, using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account, regardless of when cash is received or paid. The government-wide financial statements include two statements:

- The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The statement of activities presents information depicting how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the statement of net assets and the statement of activities segregate the activities of the City into three types:

- **Governmental Activities.** The governmental activities of the City include general government; parks, recreation, and forestry; airport; public works; public safety; health and welfare; library; conservation and economic development; interest expense; and, unallocated depreciation. Taxes, fees, unrestricted investment earnings, and intergovernmental revenues (federal and state grants) finance most of the costs of these activities.
- **Business-Type Activities.** The City charges fees to customers to help cover all or most of the cost of certain services it provides. Water, Sewer, Wylie Campground, Lee Park Golf, and Ambulance Fund are examples of business-type activities.
- **Discretely Presented Component Unit.** Component units are legally separate organizations for which the City is financially accountable, or the nature and significance of the unit's relationship with the City is such that exclusion of the unit would cause the City's financial statements to be misleading, or incomplete. The following entity is included in the component unit column of the City's government-wide financial statements:
 - ✓ Housing and Redevelopment Commission

Fund Financial Statements and Component Unit Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required by law, while others are established internally to maintain control over a particular activity. All funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. It is important to note that these categories use different accounting approaches and should be interpreted differently.

Governmental Funds

Most of the City's basic services are reported in governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as the balances of spendable resources available at the end of the fiscal year. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. This short-term view of the City's financial position may be useful in determining whether the City has sufficient resources to cover expenditures for its basic services in the near future.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental funds financial statement.

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Sales Tax Fund and Park and Recreation Fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for some non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds

Proprietary funds include enterprise funds and internal service funds and account for City's activities that operate much like private sector businesses. Like the government-wide financial statements, proprietary fund statements are presented using the full accrual basis of accounting.

Activities (e.g., Water Fund) that largely involve customers outside of city government are accounted for in enterprise funds, and are the same functions reported as business-type activities in the government-wide financial statements. Activities (e.g., City Self-Funded Health Insurance) that largely involve other City agencies are accounted for in internal service funds. The internal service fund activities are consolidated with the governmental activities in the government-wide financial statement because those services predominantly benefit governmental rather than business-type activities.

The City maintains five individual proprietary funds, of which the City presents two (Water and Sewer) as major funds. The five proprietary funds are as follows: Water Fund, Sewer Fund, Wylie Campground Fund, Lee Park Golf, and Ambulance Fund. These proprietary funds are presented separately in the proprietary funds statement of net assets and statement of revenues, expenses, and changes in fund net assets.

Fiduciary Funds

Fiduciary funds are used to report activities when the City acts as trustee or fiduciary to hold resources for the benefit of parties outside City government. The full accrual basis of accounting is used for fiduciary funds and is similar to the accounting used for proprietary funds. The government-wide financial statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and cannot be used by the City to finance operations.

The City's fiduciary funds include private purpose trust funds, and agency funds. Individual fund detail, if applicable, is included in the combining financial statements elsewhere in this report.

Component Unit

As mentioned above, component units are legally separate organizations for which the City is financially accountable. Since there is only one component unit, the government-wide financial statements present information for the component unit (a) in a single column on the statement of net assets, and (b) in a single column on the statement of activities. The statement of cash flows for the component unit is also provided.

Notes to the Financial Statements

The notes provide additional narrative and financial information essential to fully understand the data provided in the government-wide financial statements, fund financial statements, and component unit financial statements. The notes to the financial statements are located immediately following the statement of cash flows for proprietary funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a Budgetary Comparison Schedule, and related notes, for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The special revenue funds that fit this criterion, and where the programs and/or budgetary fund types are identifiable to a major fund, are the Special Sales Tax Fund and the Park and Recreation Fund.

The Budgetary Comparison Schedule presents both the original and the final appropriated budgets for fiscal year ending December 31. The Budgetary Comparison Schedule also lists the actual outflows and balances stated on a budgetary basis. A variance column is included to compare the final appropriated budget with the actual budget results.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements.

Government-Wide Financial Analysis

Net Assets

As presented in the following table, total assets of the City on December 31, 2011 were \$185.95 million, while total liabilities were \$59.19 million, resulting in combined net assets (governmental and business-type activities) of \$126.76 million.

	City of Aberdeen Net Assets					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 11,502,776	\$ 12,485,000	\$ 10,392,571	\$ 8,302,077	\$ 21,895,347	\$ 20,787,077
Capital Assets	102,910,535	99,805,280	61,148,163	62,615,354	164,058,698	162,420,634
Total Assets	<u>114,413,311</u>	<u>112,290,280</u>	<u>71,540,734</u>	<u>70,917,431</u>	<u>185,954,045</u>	<u>183,207,713</u>
Long-Term Liabilities Outstanding	24,909,235	26,085,482	30,585,867	29,797,624	55,495,101	55,883,106
Other Liabilities	3,143,637	2,063,735	552,407	762,069	3,696,046	2,825,804
Total Liabilities	<u>28,052,872</u>	<u>28,149,217</u>	<u>31,138,274</u>	<u>30,559,693</u>	<u>59,191,146</u>	<u>58,708,911</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	87,169,059	83,346,179	30,690,458	32,932,890	117,859,517	116,279,069
Restricted	4,075,691	3,968,097	1,387,213	-	5,462,904	3,968,097
Unrestricted	(4,884,311)	(3,173,214)	8,324,789	7,424,847	3,440,478	4,251,632
Total Net Assets	<u>\$86,360,439</u>	<u>\$84,141,062</u>	<u>\$40,402,460</u>	<u>\$40,357,737</u>	<u>\$126,762,899</u>	<u>\$124,498,799</u>

The largest component of the City's net assets, 93% (equal to 93% in 2010), is investments in capital assets (land; land improvements; land improvements – roads; buildings; equipment; vehicles; infrastructure; and construction in progress), less depreciation and all outstanding debt that was issued to buy or build those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets comprise 4.3% (down from 3.19% in 2010) of total net assets. These net assets are subject to restrictions either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws/regulations of other governments; or, (b) imposed by law through constitutional provisions or enabling legislation.

The remaining balance, \$3.44 million, is unrestricted net assets that may be used to meet the City's ongoing obligations to citizens and creditors. However, certain resources within this balance have internally imposed limitations as explained below. These assets are not reported as restricted net assets because the limitations are imposed internally by the City, not externally imposed by sources such as creditors. Internally imposed limitations on the use of unrestricted assets include, but may not be limited to, funding fiscal year 2012 appropriations in the General Fund (\$603,600).

Changes in Net Assets

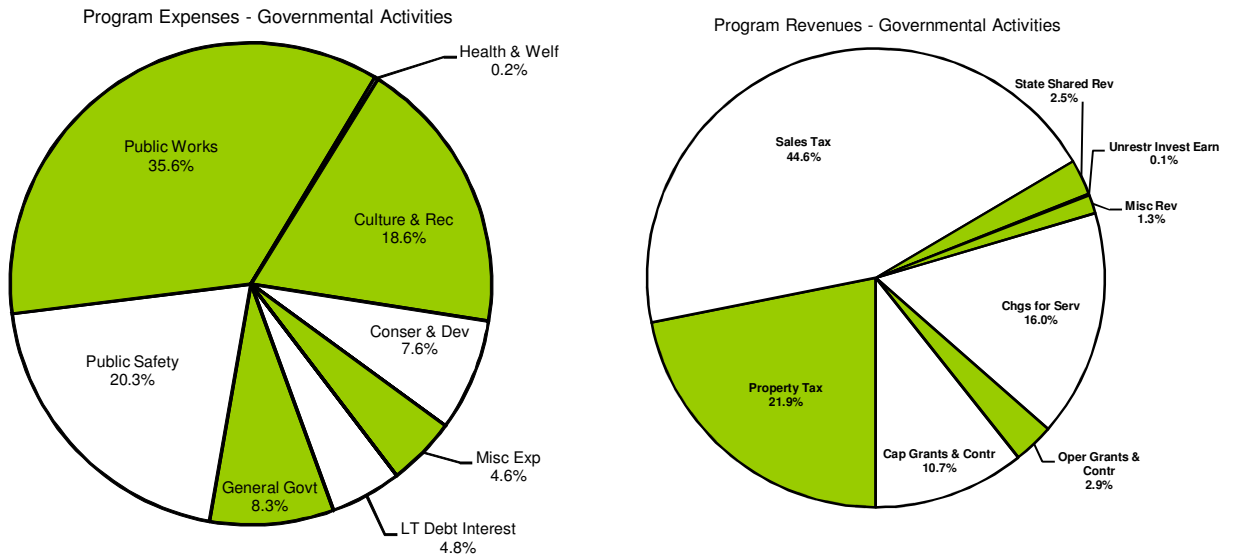
The following table summarizes financial information derived from the government-wide statement of activities and reflects how the City's net assets changed during fiscal years 2011 and 2010.

City of Aberdeen						
Changes in Net Assets						
Fiscal Year Ended December 31						
	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 5,752,044	\$ 5,698,098	\$ 8,533,508	\$ 8,291,083	\$ 14,285,552	\$ 13,989,181
Operating Grants and Contributions	1,024,742	941,719	88,720	51,132	1,113,462	992,851
Capital Grants and Contributions	3,836,418	1,214,978	224,866	643,061	4,061,284	1,858,039
General Revenues:						
Property Taxes	7,852,749	7,648,054	-	-	7,852,749	7,648,054
Sales Taxes	16,008,499	15,351,244	-	-	16,008,499	15,351,244
State Shared Revenues	905,220	883,258	-	-	905,220	883,258
Unrestricted Investment Earnings	39,632	128,927	27,594	93,635	67,226	222,562
Miscellaneous	455,324	1,174,649	9,047	2,050	464,370	1,176,699
Total Revenues	35,874,629	33,040,927	8,883,735	9,080,961	44,758,363	42,121,888
Program Expenses:						
General Government	2,803,407	3,275,120	-	-	2,803,407	3,275,120
Public Safety	6,831,308	6,853,014	-	-	6,831,308	6,853,014
Public Works	11,999,727	11,961,011	-	-	11,999,727	11,961,011
Health and Welfare	81,756	87,235	-	-	81,756	87,235
Cultural and Recreation	6,277,356	6,376,607	-	-	6,277,356	6,376,607
Conservation and Development	2,548,087	1,926,958	-	-	2,548,087	1,926,958
Miscellaneous Expenditures	1,554,082	1,463,043	-	-	1,554,082	1,463,043
Interest on Long-term Debt	1,622,897	1,396,904	-	-	1,622,897	1,396,904
Water	-	-	4,328,349	5,995,896	4,328,349	5,995,896
Sewer	-	-	2,729,578	2,705,656	2,729,578	2,705,656
Campground	-	-	227,332	241,030	227,332	241,030
Golf	-	-	455,414	461,229	455,414	461,229
Ambulance	-	-	1,034,972	872,132	1,034,972	872,132
Total Expenses	33,718,619	33,339,892	8,775,647	10,275,943	42,494,266	43,615,835
Excess (Deficiency) Before Transfers	2,156,010	(298,965)	108,088	(1,194,982)	2,264,098	(1,493,947)
Transfers	63,366	(261,547)	(63,366)	261,547	-	-
Change in Net Assets	2,219,376	(560,510)	44,722	(933,435)	2,264,098	(1,493,947)
Net Assets – Beginning	84,141,062	84,701,572	40,357,737	41,291,172	124,498,799	125,992,744
Net Assets – Ending	\$86,360,438	\$84,141,062	\$40,402,459	\$40,357,737	\$126,762,898	\$124,498,797

Governmental Activities

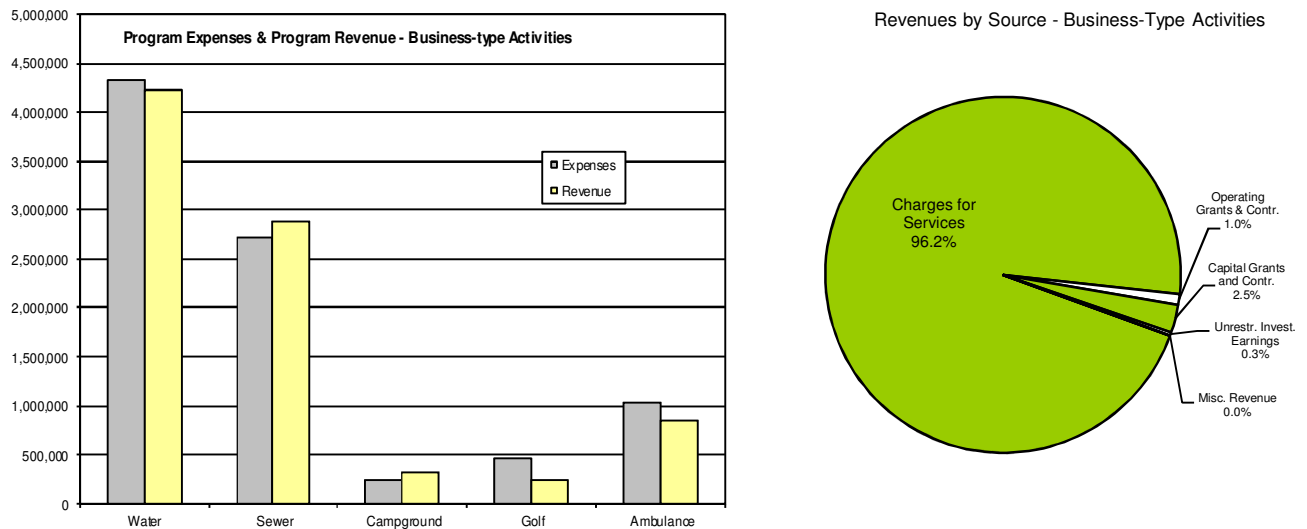
Governmental activities increased the City's net assets by \$2,219,372. Factors contributing to these results include:

- An increase in capital grants for projects in the Special Sales Tax (Brown County #19) and Airport Funds.



Business-Type Activities

Net assets of the business-type activities increased by \$44,725 during 2011, as compared to a \$933.4 thousand decrease in 2010. Factors contributing to these results include fewer capital improvement projects and incremental increases to charges for services.



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required by law, while others are established internally to maintain control over a particular activity.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows and outflows during the fiscal year and on balances of spendable resources as of fiscal year-end. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. However, this measure must be used with care because large portions of the balance may relate to internally imposed limitations, such as statutory language, which could limit resource use.

At the end of fiscal year 2011, the City's governmental funds reported combined ending fund balances of \$6.016 million, a decrease of \$2.162 million in comparison with the prior year.

Approximately 5.84%, or \$351,390 of the combined ending fund balances, is reported as nonspendable to indicate that it is not available for new spending because it has already been committed as a variety of non-current assets.

Approximately 60.65%, or \$3,648,477 of the combined ending fund balances, is reported as restricted to indicate that it is constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.

Approximately 16.97%, or \$1,021,181 of the combined ending fund balances, is reported as assigned to indicate that it is intended to be used for specific purposes that are neither considered restricted or committed. \$603,600 of this amount is assigned to be used only for 2012 appropriations.

The remaining 16.54%, or \$994,888 of the combined ending fund balances, constitutes unreserved fund balance that may be used to meet the City's ongoing obligations to citizens and creditors.

The governmental funds that are major funds and had significant changes in fund balances during fiscal year 2011 were the General Fund, the Special Sales Tax Fund, and the Parks, Recreation and Forestry Fund. The General Fund is the chief operating fund of the City. At the end of the fiscal year, the assigned and unassigned fund balance of the General Fund was \$2.201 million, of which \$603,600 was assigned only to be used to fund 2012 appropriations. Total fund balance at the end of the current fiscal year was \$2.490 million. As a measure of the General Fund's liquidity, it may be useful to compare the assigned and unassigned fund balances to total fund expenditures. Assigned and unassigned fund balances represent 14.18% (21.27% in 2010) of the total General Fund operating expenditures.

Overall, the fund balance of the City's General Fund decreased by \$964,894 (From Exh. IV) during the current fiscal year. This is a 27.92% decrease from the prior year fund balance. The decrease primarily resulted from use of the General Fund to fund Tax Increment District #14 (HAPI Eighth Subdivision) (approximately \$633,003) which will be reimbursed from the incremental revenue, less than expected general property tax collections (approximately \$133,395), less than expected general sales tax collections (approximately \$225,934), and higher than anticipated transfers to other funds for operations (\$55,000). These decreases were offset by higher than expected transfers from other departments (approximately \$50,000) and under-spending of original budgets by departments (approximately \$249,340).

The Special Sales Tax Fund is the fund maintained by the City to account for the proceeds from the second penny sales tax. The City has adopted ordinances to designate the use of these proceeds to capital improvements, land acquisition, and certain public safety uses. At the end of the fiscal year, unassigned fund balance of the Special Sales Tax Fund was (\$602,759). Total fund balance at the end of the current fiscal year was also (\$602,759).

Overall, the fund balance of the City's Special Sales Tax Fund decreased by \$1,159,856 during the current fiscal year. This is a 208.2% decrease in fund balance from the prior year. The decrease primarily resulted from less than anticipated sales tax revenues (approximately \$192,461), completion of several projects which anticipated use of fund balance (approximately \$557,097), and completion of projects from the previous year (2010) (approximately \$353,500).

The Parks, Recreation, and Forestry Fund is the fund created by the City to account for the activities associated with those departments. At the end of the fiscal year, restricted fund balance of the Parks, Recreation, and Forestry Fund was \$333,210. Total fund balance at the end of the current fiscal year was also \$333,210.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The following proprietary funds are reported as major funds and had significant changes to net assets during fiscal year 2011:

Water Fund

At the end of fiscal year 2011, the Water Fund reported total net assets of \$18.466 million, a decrease of \$277,163 (1.48%) in comparison with the prior year. During 2011, the Water Fund produced an operating income (before contributions and operating transfers) in the amount of \$409,700 on total operating revenue of \$4.241 million, compared to the previous fiscal year's operating loss (before contributions and operating transfers) in the amount of \$1,277 million on total operating revenue of \$4.231 million. The decrease in total net assets was largely the result of reduced water consumption resulting from higher than normal spring rainfall.

Sewer Fund

At the end of fiscal year 2011, the Sewer Fund reported total net assets of \$19.028 million, an increase of \$88,845 (0.47%) in comparison with the prior year. During 2011, the Sewer Fund produced operating income (before contributions and operating transfers) in the amount of \$2,357,354 on total operating revenue of \$2.893 million, compared to the previous fiscal year's operating income (before contributions and operating transfers) in the amount of \$480,413 on total operating revenue of \$2.826 million. The increase in total net assets was largely the result of contributed capital from the Special Sales Tax Fund for wastewater collection infrastructure.

Budgetary Highlights – General Fund

The following analysis is based on the Budgetary Comparison Schedules included in the Required Supplementary Information that immediately follows the basic financial statements.

General Fund

The difference between the original budget and the final amended budget was \$2,853,500 (or 14.8%) of increases in appropriations and can be summarized as follows:

- \$245,500 in supplemental appropriations to General Government for 1) costs associated with rental housing shortage efforts by the Aberdeen Housing Authority, 2) cost associated with Attorney intern, and 3) higher than anticipated telephone costs.
- \$295,000 in supplemental appropriations to Public Safety to account 1) for Fire Department personal services, training and equipment reimbursed by grants and water consumption 2) for Police unscheduled hours and overtime, and water.
- \$857,000 in supplemental appropriations to Public Works departments for 1) lease/purchase of paint truck, 2) water consumption expenses, 3) fall/winter snow removal expenses, 4) additional mill and overlay, and 5) milling machine.
- \$1,000 in supplemental appropriations to Culture and Recreation departments for water consumption at the Library.
- \$1,400,000 in supplemental appropriations to Economic Development relating to TIF #14 project costs.
- \$30,000 in supplemental appropriations for transfers to the Unemployment Insurance Fund for cash flow needs in that fund.
- \$25,000 in supplemental appropriations for transfers to the Ambulance Fund for cash flow needs in that fund.
- Other budget adjustments in the form of FY 2011 supplemental appropriations were not considered to be significant variations, or to have a significant effect on future services or liquidity.

Actual spending was more than the original budget for General Fund total operating expenditures by \$383,662 and was less than the final amended budget by over \$2.41 million.

Overall, there were no overexpenditures by City departments in the General Fund.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of December 31, 2011 is \$164.058 million (net of accumulated depreciation) as compared to \$162.42 million the previous year. This investment in capital assets includes land; land improvements; land improvements – roads; buildings; equipment; vehicles; infrastructure; and construction in progress.

	City of Aberdeen					
	Capital Assets - Primary Government					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Land	\$ 8,732,521	\$ 7,176,682	\$ 721,396	\$ 701,396	\$ 9,453,917	\$ 7,878,078
Buildings	35,197,927	35,066,157	61,151,618	60,861,680	96,349,545	95,927,837
Improvements other than Buildings	99,207,119	93,389,751	25,579,258	24,709,003	124,786,377	118,098,754
Equipment/Vehicles	15,256,778	15,020,470	6,808,861	6,692,269	22,065,639	21,712,739
Construction in Progress	557,253	1,459,858	0	823,959	557,253	2,283,817
Total Capital Assets	<u>158,951,598</u>	<u>152,112,918</u>	<u>94,261,133</u>	<u>93,788,307</u>	<u>253,212,731</u>	<u>245,901,225</u>
Accumulated Depreciation	<u>56,041,063</u>	<u>52,307,638</u>	<u>33,112,970</u>	<u>31,172,953</u>	<u>89,154,033</u>	<u>83,480,591</u>
Total Capital Assets, Net	<u>\$102,910,535</u>	<u>\$99,805,280</u>	<u>\$61,148,163</u>	<u>\$62,615,354</u>	<u>\$164,058,698</u>	<u>\$162,420,634</u>

The City's investment in capital assets (net of accumulated depreciation) changed from fiscal year 2011 to 2010 by 1%. Governmental construction projects completed during 2011 include street improvements at a total cost of about \$2,961,548, stormwater mains at a total cost of about \$1,327,409, Traffic Control paint truck at a total cost of about \$153,255, Airport improvement projects at a total cost of about \$1,419,279, and Park, Recreation, and Forestry trail improvements at a total cost of about \$224,760. The governmental Construction in Progress includes \$181,726 for Brown County #19 Storm Sewer Pond, \$375,527 for Airport Taxiway improvements. Business-type construction projects completed during 2011 include Wylie Park campground improvements at a total cost of about \$900,649.

More detailed information on the City's capital assets can be found in Note 5 in the Notes to the Financial Statements.

Debt Administration

The authority of the City to incur debt is described in South Dakota Codified Law Section 9-25-1. Generally, the State Constitution prohibits the City from having general obligation indebtedness in excess of 5% of the assessed valuation of the taxable property within the City for the year preceding that in which the indebtedness is incurred. Currently, all of the City's debt is classified as general-purpose debt. The 2011 general-purpose debt limitation for the City is \$69,558,600, which is \$34,233,463 in excess of the City's outstanding bonded debt classified as general-purpose debt.

At the end of the current fiscal year, primary government - governmental activities had total note and bonded debt outstanding of \$24,909,235 and business-type activities had total note and bonded debt outstanding of \$30,585,866. During the current fiscal year, the City incurred a net increase of \$105,000 in new long-term general indebtedness related to a refunding of the Series 2005 Sales Tax Revenue Bonds (ARCC Renovations) under governmental activities and incurred \$2,272,439 of indebtedness in business-type activities. The increase in business-type indebtedness related to the State Revolving Loan associated with the Wastewater Treatment Plants improvements and automated meter reading system. The City retired \$2,246,520 of general obligation debt which included the annual principal payments associated with TIF revenue bonds, the ARCC Renovations bonds, Aquatics Center bonds, Public Safety Improvements bonds, campground expansion bonds, log loader installment contracts, and State Revolving Loan associated with the Water and Wastewater Treatment Plants improvements.

Additional information on the City's long-term debt obligations is located in Note 6 in the Notes to the Financial Statements.

Economic Condition and Outlook

Steady economic and property growth annually from calendar years 1998 to 2009 helped to maintain steady revenue streams for the City; however, 2010 was the first time since the early 1990's that Aberdeen saw a decrease in sales tax revenue amounting to about a 1.0% decrease. The sales tax revenue increased in 2011 by about 2.1%. Aberdeen's growth in property tax valuation due to new construction and changes to existing property has consistently averaged between 2.5 - 3% annually (over 2.5% in 2011).

Future Construction Activity

During 2012, the City has started work on re-constructing the Kline Street storm sewer system. This portion of the storm water sewer system is decades old and appears to be one source of inflow and infiltration (I&I) with the City sanitary system. This I&I problem caused extreme volumes of storm water entering the City's sanitary system during flooding in 2007, 2009, 2010 and 2011, resulting in emergency releases of highly diluted raw sewage into Moccasin Creek. These releases constituted a violation of the City's surface water discharge permit, as outlined in a Notice of Violation and Order (Notice) from the South Dakota Department of Environment and Natural Resources (DENR). Included in the Notice are Orders by DENR outlining a corrective action plan, of which the Kline Street storm water sewer system reconstruction is a major part. The Kline Street project is an aggressive multi-year project with several funding sources, including City funds and state and federal grants and loans. Each segment of the project will be bid separately. As the project is completed, it may require additional reconstruction that may be time sensitive. The City has alternative funding sources (including issuance of sales tax revenue bonds) to address these additional project costs if and when they may occur.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report, or need additional financial information, please contact the Finance Office, 123 South Lincoln Street, Aberdeen, South Dakota 57401, (605) 626-7045.

The City's discretely presented component unit issues their own separate financial statements. These statements may be obtained by directly contacting the individual component unit.

City of Aberdeen
Statement of Net Assets—Exhibit I
December 31, 2011

	Primary Government		Total	Component Unit Housing and Redevelopment Commission
	Governmental Activities	Business-Type Activities		
Assets				
Cash and cash equivalents	\$ 4,925,245	\$ 7,179,620	\$ 12,104,865	\$ 783,499
Investments	3,164,944	2,152,282	5,317,226	-
Accounts receivable, net	2,982,568	726,232	3,708,800	241,492
Other noncurrent assets	-	-	-	760,465
Inventories	11,678	334,437	346,115	-
Deferred charges	128,630	-	128,630	-
Restricted assets:				
Cash and cash equivalents	-	-	-	391,088
Deposits	289,712	-	289,712	2,756,172
Capital assets:				
Land, improvements, and construction in progress	9,289,774	721,396	10,011,170	521,186
Other capital assets, net of depreciation	93,620,761	60,426,767	154,047,528	1,717,237
	<u>\$ 114,413,312</u>	<u>\$ 71,540,734</u>	<u>\$ 185,954,046</u>	<u>\$ 7,171,139</u>
Liabilities				
Accounts payable	\$ 2,377,938	\$ 278,915	\$ 2,656,853	\$ 35,305
Deferred revenue	-	-	-	1,885
Other current liabilities	765,699	273,492	1,039,191	109,673
Noncurrent liabilities:				
Due within one year	2,009,495	1,660,327	3,669,822	80,357
Due in more than one year	22,899,741	28,925,540	51,825,281	1,028,724
Total liabilities	<u>28,052,873</u>	<u>31,138,274</u>	<u>59,191,147</u>	<u>1,255,944</u>
Net Assets				
Invested in capital assets, net of related debt	87,169,059	30,690,458	117,859,517	1,117,951
Restricted for:				
Debt service	2,115,646	1,387,213	3,502,859	-
Perpetual care:				
Expendable	130,438	-	130,438	-
Permanently nonexpendable	50,000	-	50,000	-
Other purposes	140,348	-	140,348	-
Other purposes - Promotion Fund	127,879	-	127,879	-
Other purposes - Park and Recreation Fund	333,210	-	333,210	-
Other purposes - Park and Recreation Trust Fund	552,470	-	552,470	-
Other purposes - Parking District Fund	335,988	-	335,988	-
Other purposes - General Fund - SD Public Assurance Alliance	289,712	-	289,712	-
Other purposes - component unit	-	-	-	3,147,260
Unrestricted	(4,884,311)	8,324,789	3,440,478	1,649,984
Total net assets	<u>86,360,439</u>	<u>40,402,460</u>	<u>126,762,899</u>	<u>5,915,195</u>
	<u>\$ 114,413,312</u>	<u>\$ 71,540,734</u>	<u>\$ 185,954,046</u>	<u>\$ 7,171,139</u>

City of Aberdeen
Statement of Activities—Exhibit II
Year Ended December 31, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit Housing and Redevelopment Commission
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary Government								
Governmental activities:								
General government	\$ 2,803,407	\$ 540,860	\$ -	\$ -	\$ (2,262,547)	\$ -	\$ (2,262,547)	\$ -
Public safety	6,831,308	125,518	235,377	118,000	(6,352,413)	-	(6,352,413)	-
Public works	11,999,727	1,816,851	282,321	3,368,418	(6,532,137)	-	(6,532,137)	-
Health and welfare	81,756	7,500	-	-	(74,256)	-	(74,256)	-
Culture and recreation	6,277,356	1,255,560	504,667	350,000	(4,167,129)	-	(4,167,129)	-
Conservation and development	2,548,087	-	2,376	-	(2,545,711)	-	(2,545,711)	-
Miscellaneous expenditures	1,554,082	2,005,754	-	-	451,672	-	451,672	-
Interest on long-term debt	1,622,897	-	-	-	(1,622,897)	-	(1,622,897)	-
Total governmental activities	<u>33,718,620</u>	<u>5,752,043</u>	<u>1,024,741</u>	<u>3,836,418</u>	<u>(23,105,418)</u>	<u>-</u>	<u>(23,105,418)</u>	<u>-</u>
Business-type activities:								
Water	4,328,349	4,241,697	30,061	190,853	-	134,262	134,262	-
Sewer	2,729,578	2,893,600	-	34,013	-	198,035	198,035	-
Campground	227,332	312,696	-	-	-	85,364	85,364	-
Golf	455,414	239,870	-	-	-	(215,544)	(215,544)	-
Ambulance	1,034,972	845,646	58,659	-	-	(130,667)	(130,667)	-
Total business-type activities	<u>8,775,645</u>	<u>8,533,509</u>	<u>88,720</u>	<u>224,866</u>	<u>-</u>	<u>71,450</u>	<u>71,450</u>	<u>-</u>
Total primary government	<u>\$ 42,494,265</u>	<u>\$ 14,285,552</u>	<u>\$ 1,113,461</u>	<u>\$ 4,061,284</u>	<u>(23,105,418)</u>	<u>71,450</u>	<u>(23,033,968)</u>	<u>-</u>
Component Unit								
Housing and Redevelopment Commission	<u>\$ 2,905,562</u>	<u>\$ 754,585</u>	<u>\$ 2,290,805</u>	<u>\$ -</u>				<u>139,828</u>
General Revenues								
Taxes:								
Property taxes					7,852,749	-	7,852,749	-
Sales taxes					16,008,499	-	16,008,499	-
State shared revenue					905,220	-	905,220	-
Unrestricted investment earnings					39,632	27,594	67,226	95,483
Grants and contributions not restricted to specific programs					-	-	-	-
Miscellaneous revenue					455,324	9,047	464,371	-
Transfers					63,366	(63,366)	-	-
Total general revenues and transfers					<u>25,324,790</u>	<u>(26,725)</u>	<u>25,298,065</u>	<u>95,483</u>
Change in Net Assets					<u>2,219,372</u>	<u>44,725</u>	<u>2,264,097</u>	<u>235,311</u>
Net Assets - Beginning					<u>84,141,067</u>	<u>40,357,735</u>	<u>124,498,802</u>	<u>5,679,884</u>
Net Assets - Ending					<u>\$ 86,360,439</u>	<u>\$ 40,402,460</u>	<u>\$ 126,762,899</u>	<u>\$ 5,915,195</u>

City of Aberdeen
Balance Sheet—Governmental Funds—Exhibit III
December 31, 2011

	General Fund	Park and Recreation Fund	Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,509,646	\$ 545,308	\$ 827,428	\$ 1,531,464	\$ 4,413,846
151 Investments	519,964	-	-	2,044,980	2,564,944
110 Taxes receivable, delinquent	149,483	-	-	-	149,483
115 Accounts receivable, net	45,141	-	-	12,793	57,934
121 Special assessments receivable, current	59,732	-	-	39,135	98,867
122 Special assessments receivable, delinquent	80,457	-	-	-	80,457
132 Due from federal/state/county governments	469,755	1,256	167,881	467,341	1,106,233
141 Inventory of supplies	-	-	-	11,678	11,678
154 Deposits	289,712	-	-	-	289,712
	<u>\$ 3,123,890</u>	<u>\$ 546,564</u>	<u>\$ 995,309</u>	<u>\$ 4,107,391</u>	<u>\$ 8,773,154</u>
Liabilities and Fund Balances					
Liabilities					
202 Accounts payable	\$ 402,468	\$ 166,722	\$ 1,514,894	\$ 259,890	\$ 2,343,974
206 Contracts payable	-	-	36,500	-	36,500
207 Contracts payable, retained percentage	-	-	46,674	37,088	83,762
209 Due to state government	-	3,079	-	-	3,079
216 Accrued wages payable	224,078	43,553	-	15,887	283,518
220 Customer deposits	6,385	-	-	-	6,385
	<u>632,931</u>	<u>213,354</u>	<u>1,598,068</u>	<u>312,865</u>	<u>2,757,218</u>
	<u>632,931</u>	<u>213,354</u>	<u>1,598,068</u>	<u>312,865</u>	<u>2,757,218</u>
Fund Balances					
263 Nonspendable	289,712	-	-	61,678	351,390
264 Restricted	-	333,210	-	3,315,267	3,648,477
266 Assigned	603,600	-	-	417,581	1,021,181
267 Unassigned	1,597,647	-	(602,759)	-	994,888
	<u>2,490,959</u>	<u>333,210</u>	<u>(602,759)</u>	<u>3,794,526</u>	<u>6,015,936</u>
	<u>2,490,959</u>	<u>333,210</u>	<u>(602,759)</u>	<u>3,794,526</u>	<u>6,015,936</u>
	<u>\$ 3,123,890</u>	<u>\$ 546,564</u>	<u>\$ 995,309</u>	<u>\$ 4,107,391</u>	<u>\$ 8,773,154</u>

City of Aberdeen
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
 Year Ended December 31, 2011

	Total
Total Fund Balances - Governmental Funds	\$ 6,015,936
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the funds.	102,910,535
Long-term liabilities, including bonds payable and accrued leave payable are not due and payables in the current period and; therefore, are not reported in the funds.	(24,909,235)
Unamortized balance of deferred charges for debt issuance costs are not considered financial resources and; therefore, are not reported as assets in the funds.	128,630
Unamortized balance of premiums and discounts are not due and payable in the current period and; therefore, are not reported in the funds.	(172,782)
Taxes collected after year-end, but not available soon enough to pay for current period expenditures.	1,489,594
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(128,564)
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	1,026,325
Net Assets - Governmental Funds	\$ 86,360,439

City of Aberdeen
Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV
Year Ended December 31, 2011

	General Fund	Park and Recreation Fund	Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
310 Taxes:					
311 General property taxes	\$ 6,396,605	\$ -	\$ -	\$ 1,418,486	\$ 7,815,091
312 Airflight property taxes	-	-	-	22,600	22,600
313 General sales and use taxes	7,684,065	-	7,357,539	876,724	15,918,328
319 Penalties and interest on delinquent taxes	13,386	-	-	1,673	15,059
320 Licenses and permits	472,747	-	-	-	472,747
330 Intergovernmental revenue:					
331 Federal grants	502,985	62,689	1,734,719	1,345,486	3,645,879
334 State grants	53,979	6,791	361,000	41,890	463,660
335 State shared revenue:					
335.01 Bank franchise tax	55,640	-	-	-	55,640
335.02 Motor vehicle commercial prorated	26,318	-	-	-	26,318
335.03 Liquor tax reversion	155,750	-	-	-	155,750
335.04 Motor vehicle licenses (5%)	107,351	-	-	-	107,351
335.06 Fire insurance premiums reversion	60,735	-	-	-	60,735
335.08 Local government highway and bridge fund	385,322	-	-	-	385,322
335.20 Other	104,341	-	-	4,467	108,808
336 State payments in lieu of taxes	5,297	-	-	-	5,297
338 County shared revenue:					
338.02 County HBR tax (25%)	20,440	-	-	-	20,440
338.03 County wheel tax	8,466	-	-	-	8,466
340 Charges for goods and services:					
341 General government	68,113	-	-	-	68,113
342 Public safety	91,751	-	-	-	91,751
343 Highways and streets	126,602	-	-	-	126,602
344 Sanitation	1,247,156	-	-	442,096	1,689,252
345 Health	7,500	-	-	-	7,500
346 Culture and recreation	3,152	575,499	-	658,180	1,236,831
348 Cemetery	-	-	-	998	998
349 Other	188,607	-	-	289,071	477,678
350 Fines and forfeits:					
351 Court fines and costs	33,767	-	-	-	33,767
354 Library	-	-	-	18,730	18,730
359 Other	560	-	-	1,227	1,787
360 Miscellaneous revenue:					
361 Investment earnings	9,734	100	1,478	28,320	39,632
362 Rentals	191,934	-	-	5,132	197,066
367 Contributions and donations from private sources	21,372	-	350,000	303,750	675,122
369 Other	38,007	-	215,000	1,756	254,763
Total revenues	<u>18,081,682</u>	<u>645,079</u>	<u>10,019,736</u>	<u>5,460,586</u>	<u>34,207,083</u>
Expenditures					
410 General government:					
412 Executive	403,398	-	-	-	403,398
414 Financial administration	957,650	-	-	-	957,650
419 Other	1,350,521	-	10,625	-	1,361,146
Total general government	<u>2,711,569</u>	<u>-</u>	<u>10,625</u>	<u>-</u>	<u>2,722,194</u>

City of Aberdeen
Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV
Year Ended December 31, 2011

	General Fund	Park and Recreation Fund	Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
420 Public safety:					
421 Police	3,701,719	-	-	-	3,701,719
422 Fire	2,354,789	-	-	-	2,354,789
423 Protective inspection	187,457	-	-	-	187,457
429 Other protection	-	-	319,582	-	319,582
Total public safety	<u>6,243,965</u>	<u>-</u>	<u>319,582</u>	<u>-</u>	<u>6,563,547</u>
430 Public works:					
431 Highways and streets	2,796,285	-	7,353,525	474,733	10,624,543
432 Sanitation	1,038,772	-	69,349	-	1,108,121
433 Water	-	-	10,127	-	10,127
435 Airport	-	-	-	2,325,141	2,325,141
436 Parking facilities	-	-	-	58,618	58,618
437 Cemeteries	-	-	-	15,342	15,342
439 Transit	573,873	-	-	-	573,873
Total public works	<u>4,408,930</u>	<u>-</u>	<u>7,433,001</u>	<u>2,873,834</u>	<u>14,715,765</u>
440 Health and welfare:					
445 Drug education	35,827	-	-	-	35,827
449 Other	45,929	-	-	-	45,929
Total health and welfare	<u>81,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,756</u>
450 Culture and recreation					
451 Recreation	24,514	2,536,338	-	360,840	2,921,692
452 Parks	-	1,483,351	374,536	462,391	2,320,278
455 Libraries	923,586	-	751,848	10,008	1,685,442
457 Historical preservation	-	-	-	3,118	3,118
Total culture and recreation	<u>948,100</u>	<u>4,019,689</u>	<u>1,126,384</u>	<u>836,357</u>	<u>6,930,530</u>
460 Conservation and development:					
465 Economic development and assistance (industrial development)	1,127,421	-	405,000	1,015,665	2,548,086
Total conservation and development	<u>1,127,421</u>	<u>-</u>	<u>405,000</u>	<u>1,015,665</u>	<u>2,548,086</u>
470 Debt service	-	26,216	-	4,318,530	4,344,746
Total expenditures	<u>15,521,741</u>	<u>4,045,905</u>	<u>9,294,592</u>	<u>9,044,386</u>	<u>37,906,624</u>
Excess of Revenue over (under) Expenditures	<u>2,559,941</u>	<u>(3,400,826)</u>	<u>725,144</u>	<u>(3,583,800)</u>	<u>(3,699,541)</u>
Other Financing Sources (Uses)					
391.01 Transfers in	480,551	3,471,199	51,000	2,333,777	6,336,527
511 Transfers out	(4,155,575)	(53,000)	(1,936,000)	(158,586)	(6,303,161)
513 Payments to refunded debt escrow agent	-	-	-	(1,701,496)	(1,701,496)
391.02 Proceeds of general long-term debt issued	102,170	49,424	-	3,003,298	3,154,892
391.03 Sale of municipal property	18,859	-	-	-	18,859
391.04 Compensation for loss or damage to capital assets	29,160	1,626	-	600	31,386
Total other financing sources (uses)	<u>(3,524,835)</u>	<u>3,469,249</u>	<u>(1,885,000)</u>	<u>3,477,593</u>	<u>1,537,007</u>
Net Change in Fund Balances	(964,894)	68,423	(1,159,856)	(106,207)	(2,162,534)
Fund Balance - Beginning	<u>3,455,853</u>	<u>264,787</u>	<u>557,097</u>	<u>3,900,733</u>	<u>8,178,470</u>
Fund Balance - Ending	<u>\$ 2,490,959</u>	<u>\$ 333,210</u>	<u>\$ (602,759)</u>	<u>\$ 3,794,526</u>	<u>\$ 6,015,936</u>

City of Aberdeen

Reconciliation of the Statement of Revenues, Expenditures and Changes to the Government-Wide Statement of
Activities
Year Ended December 31, 2011

	Total
Net Change in Fund Balances - Total Governmental Funds	\$ (2,162,534)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays/contributions exceeded depreciation in the current period.	3,155,168
In the statement of activities, the loss on disposal of assets is reported, whereas in the governmental funds, the disposal of fixed assets is not reflected.	(49,913)
Repayment of other long-term debt principal and payments to refunded debt escrow agent are expenditures in the government funds, but the payments reduce long-term liabilities in the statement of net assets.	4,426,165
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	(41,839)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	90,171
Accrued interest reported in the statement of activities does not require the use of current financial resources and; therefore, are not reported as expenditures in governmental funds.	5,261
Proceeds from issuance of long-term debt recorded as an other financing source in governmental funds.	(3,208,090)
Governmental funds report debt issuance costs as expenditures. However, in the statement of activities, these costs are deferred and allocated over the life of the related debt and reported as amortization expense. This is the amount amortized in the current period.	(8,081)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amount amortized in the current period.	10,855
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	2,209
Change in Net Assets of Governmental Activities	\$ 2,219,372

City of Aberdeen
Statement of Net Assets—Proprietary Funds—Exhibit V
December 31, 2011

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
Assets					
Current Assets					
Cash and cash equivalents	\$ 2,823,008	\$ 4,099,033	\$ 257,579	\$ 7,179,620	\$ 511,400
151 Investments	746,368	1,405,914	-	2,152,282	600,000
115 Accounts receivable, net	54,274	48,973	164,381	267,628	-
117 Unbilled accounts receivable	233,640	210,521	-	444,161	-
121 Special assessments receivable, current	7,307	-	-	7,307	-
122 Special assessments receivable, delinquent	4,872	-	-	4,872	-
132 Due from federal/state/county governments	2,264	-	-	2,264	-
141 Inventory of supplies	300,746	33,691	-	334,437	-
Total current assets	<u>4,172,479</u>	<u>5,798,132</u>	<u>421,960</u>	<u>10,392,571</u>	<u>1,111,400</u>
Noncurrent Assets					
Capital assets:					
160 Land	311,427	59,469	350,500	721,396	-
162 Buildings	27,775,644	32,363,857	1,012,117	61,151,618	-
164 Improvements other than buildings	15,231,024	9,393,529	954,705	25,579,258	-
166 Machinery and equipment	4,019,212	1,518,929	1,270,720	6,808,861	-
Less accumulated depreciation	<u>(18,447,626)</u>	<u>(13,653,141)</u>	<u>(1,012,203)</u>	<u>(33,112,970)</u>	<u>-</u>
Total noncurrent assets	<u>28,889,681</u>	<u>29,682,643</u>	<u>2,575,839</u>	<u>61,148,163</u>	<u>-</u>
	<u>\$ 33,062,160</u>	<u>\$ 35,480,775</u>	<u>\$ 2,997,799</u>	<u>\$ 71,540,734</u>	<u>\$ 1,111,400</u>

City of Aberdeen
Statement of Net Assets—Proprietary Funds—Exhibit V
December 31, 2011

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
Liabilities					
Current Liabilities					
201 Claims payable	\$ 2,904	\$ -	\$ -	\$ 2,904	\$ -
202 Accounts payable	135,351	99,141	41,520	276,012	33,965
213 Incurred but not reported claims	-	-	-	-	51,110
215 Accrued interest payable	107,892	84,662	-	192,554	-
216 Accrued wages payable	23,878	15,830	18,981	58,689	-
223 Revenue collected in advance	22,249	-	-	22,249	-
226 Bonds payable current:					
226.02 Revenue	811,603	720,563	-	1,532,166	-
Total current liabilities	<u>1,103,877</u>	<u>920,196</u>	<u>60,501</u>	<u>2,084,574</u>	<u>85,075</u>
Noncurrent Liabilities					
231 Bonds payable:					
231.02 Revenue	13,430,570	15,494,969	-	28,925,539	-
233 Accrued leave payable	61,426	37,325	29,410	128,161	-
Total noncurrent liabilities	<u>13,491,996</u>	<u>15,532,294</u>	<u>29,410</u>	<u>29,053,700</u>	<u>-</u>
Net Assets					
253.10 Invested in capital assets, net of related debt	14,647,508	13,467,111	2,575,839	30,690,458	-
253.20 Restricted net assets, restricted for:					
253.21 Revenue bond debt service	-	1,387,213	-	1,387,213	-
253.90 Unrestricted net assets	3,818,779	4,173,961	332,049	8,324,789	1,026,325
Total net assets	<u>18,466,287</u>	<u>19,028,285</u>	<u>2,907,888</u>	<u>40,402,460</u>	<u>1,026,325</u>
	<u>\$ 33,062,160</u>	<u>\$ 35,480,775</u>	<u>\$ 2,997,799</u>	<u>\$ 71,540,734</u>	<u>\$ 1,111,400</u>

City of Aberdeen
Statement of Revenues, Expenses and Changes in Net Assets—Proprietary Funds—Exhibit VI
Year Ended December 31, 2011

	Water Fund	Sewer Fund	Other Enterprise Funds	Totals	Internal Service Funds
Operating Revenue					
380 Charges for goods and services	\$ 4,105,835	\$ 1,487,300	\$ 1,332,771	\$ 6,925,906	\$ 1,519,502
380 Debt service surcharge	-	1,387,213	-	1,387,213	-
369 Miscellaneous	135,862	19,086	65,440	220,388	-
Total operating revenue	<u>4,241,697</u>	<u>2,893,599</u>	<u>1,398,211</u>	<u>8,533,507</u>	<u>1,519,502</u>
Operating Expenses					
410 Personal services	1,069,589	736,389	912,530	2,718,508	-
420 Other current expenses	1,806,889	670,387	653,182	3,130,458	1,554,082
426.2 Materials (cost of goods sold)	(50,536)	880	-	(49,656)	-
457 Depreciation	1,006,055	949,698	152,007	2,107,760	-
Total operating expenses	<u>3,831,997</u>	<u>2,357,354</u>	<u>1,717,719</u>	<u>7,907,070</u>	<u>1,554,082</u>
Operating Income (Loss)	<u>409,700</u>	<u>536,245</u>	<u>(319,508)</u>	<u>626,437</u>	<u>(34,580)</u>
Nonoperating Revenue (Expense)					
330 Operating grants	30,061	-	58,659	88,720	-
361 Investment earnings	12,531	14,888	176	27,595	6,789
470 Interest expense and fiscal charges	(496,353)	(372,223)	-	(868,576)	-
(492) 366 Gain (loss) on disposition of assets	(849)	-	4,450	3,601	-
(429) 369.01 Other	345	-	5,100	5,445	-
Total nonoperating revenue (expense)	<u>(454,265)</u>	<u>(357,335)</u>	<u>68,385</u>	<u>(743,215)</u>	<u>6,789</u>
Income (Loss) Before Contributions and Transfers	<u>(44,565)</u>	<u>178,910</u>	<u>(251,123)</u>	<u>(116,778)</u>	<u>(27,791)</u>
391.07 Capital contributions	190,853	34,013	-	224,866	-
391.1 Transfers in	-	20,313	616,842	637,155	30,000
511 Transfers out	(423,451)	(144,390)	(132,680)	(700,521)	-
Change in Net Assets	<u>(277,163)</u>	<u>88,846</u>	<u>233,039</u>	<u>44,722</u>	<u>2,209</u>
Net Assets - Beginning	<u>18,743,450</u>	<u>18,939,439</u>	<u>2,674,849</u>	<u>40,357,738</u>	<u>1,024,116</u>
Net Assets - Ending	<u>\$ 18,466,287</u>	<u>\$ 19,028,285</u>	<u>\$ 2,907,888</u>	<u>\$ 40,402,460</u>	<u>\$ 1,026,325</u>

City of Aberdeen
Statement of Cash Flows—Proprietary Funds—Exhibit VII
Year Ended December 31, 2011

	Water Fund	Sewer Fund	Other Enterprise Funds	Totals	Internal Service Funds
Cash Flows from (used for) Operating Activities					
Receipt from customers	\$ 3,849,790	\$ 2,854,664	\$ 1,343,012	\$ 8,047,466	\$ 1,519,502
Payments to suppliers	(1,737,599)	(771,276)	(532,796)	(3,041,671)	-
Payments to employees	(1,065,842)	(729,649)	(912,458)	(2,707,949)	-
Internal activity - payment to other funds	-	(20,313)	(63,842)	(84,155)	-
Claims paid	-	-	-	-	(1,608,708)
Cash receipts for interfund services provided	236,281	-	-	236,281	-
Other receipts	135,862	19,086	65,440	220,388	-
Net Cash from (used for) Operating Activities	<u>1,418,492</u>	<u>1,352,512</u>	<u>(100,644)</u>	<u>2,670,360</u>	<u>(89,206)</u>
Cash Flows from (used for) Noncapital Financing Activities					
Transfers from other funds	-	20,313	616,842	637,155	30,000
Transfers to other funds	(423,451)	(144,390)	(132,680)	(700,521)	-
Operating grants	30,061	-	58,659	88,720	-
Other noncapital receipts	345	-	5,100	5,445	-
Net Cash from (used for) Noncapital Financing Activities	<u>(393,045)</u>	<u>(124,077)</u>	<u>547,921</u>	<u>30,799</u>	<u>30,000</u>
Cash Flows from (used for) Capital and Related Financing Activities					
Proceeds from capital debt	176,055	2,096,384	-	2,272,439	-
Capital contributions	57,841	34,013	-	91,854	-
Purchase of capital assets	(161,034)	(177,927)	(298,007)	(636,968)	-
Principal paid on capital debt	(679,516)	(684,668)	-	(1,364,184)	-
Interest paid on capital debt	(501,313)	(364,922)	-	(866,235)	-
Other receipts (payments)	10,979	-	-	10,979	-
Net Cash from (used for) Capital and Related Financing Activities	<u>(1,096,988)</u>	<u>902,880</u>	<u>(298,007)</u>	<u>(492,115)</u>	<u>-</u>
Cash Flows from (used for) Investing Activities					
Purchase of investment securities	-	-	-	-	600,000
Proceeds from sales and maturities of investments	-	-	-	-	-
Interest earnings	12,531	14,888	176	27,595	6,789
Net Cash from (used for) Investing Activities	<u>12,531</u>	<u>14,888</u>	<u>176</u>	<u>27,595</u>	<u>606,789</u>

City of Aberdeen
Statement of Cash Flows—Proprietary Funds—Exhibit VII
Year Ended December 31, 2011

	Water Fund	Sewer Fund	Other Enterprise Funds	Totals	Internal Service Funds
Net Change in Cash and Cash Equivalents	(59,010)	2,146,203	149,446	2,236,639	547,583
Balances - Beginning	3,628,386	3,358,744	108,133	7,095,263	563,817
Balances - Ending	<u>\$ 3,569,376</u>	<u>\$ 5,504,947</u>	<u>\$ 257,579</u>	<u>\$ 9,331,902</u>	<u>\$ 1,111,400</u>
Cash and Cash Equivalents Consist of:					
Cash and cash equivalents	\$ 2,823,008	\$ 4,099,033	\$ 257,579	\$ 7,179,620	\$ 511,400
Investments	746,368	1,405,914	-	2,152,282	600,000
	<u>\$ 3,569,376</u>	<u>\$ 5,504,947</u>	<u>\$ 257,579</u>	<u>\$ 9,331,902</u>	<u>\$ 1,111,400</u>
Cash from Operating Activities					
Operating income (loss)	\$ 409,700	\$ 536,245	\$ (319,508)	\$ 626,437	\$ (34,580)
Adjustments to reconcile operating income to net cash from (used for) operating activities:					
Depreciation expense	1,006,055	949,698	152,007	2,107,760	-
Change in assets and liabilities:					
Receivables	(23,611)	(19,850)	128,970	85,509	-
Inventories	50,537	(880)	-	49,657	-
Accounts and other payables	(31,782)	(119,441)	(62,186)	(213,409)	(54,626)
Accrued wages payable	(2,564)	(119)	242	(2,441)	-
Accrued leave payable	6,310	6,859	(169)	13,000	-
Revenue collected in advance	3,847	-	-	3,847	-
Net Cash from (used for) Operating Activities	<u>\$ 1,418,492</u>	<u>\$ 1,352,512</u>	<u>\$ (100,644)</u>	<u>\$ 2,670,360</u>	<u>\$ (89,206)</u>
Noncash Investing, Capital and Financing Activities:					
Other	\$ 848	\$ -	\$ -	\$ 848	\$ -

Note 1 - Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the City of Aberdeen (the City) have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for governmental accounting and financial reporting. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

B. Financial Reporting Entity

The City of Aberdeen is a municipality chartered under the constitution of the State of South Dakota and is governed by a Council, including a part-time Mayor who is vested with the executive and administrative powers of the City, as well as eight part-time Council members who serve in a policymaking and legislative capacity.

The reporting entity consists of the City as the primary government and its discretely presented component unit. Discretely presented component units are entities that are legally separate from the City for which the City is considered to be financially accountable or for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The City is financially accountable if its City Council appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City. The following table describes the City's component unit:

<u>Component Unit</u>	<u>Criteria for Inclusion</u>
Housing and Redevelopment Commission of the City of Aberdeen, South Dakota	City has legal authority to impose its will on the Commission The Commission members are appointed by the Mayor of the City of Aberdeen

This discretely presented component unit is displayed in a separate column in the government-wide financial statements to emphasize their legal separateness from the City. Major component units are determined based on the component unit's significance relevant to the other component units and to the primary government. Based on evaluation of these criteria, the Housing and Redevelopment Commission of the City of Aberdeen (the Commission) is considered to be a major component unit.

The financial statements are available upon request from the City or The Housing and Redevelopment Commission at 2324 3rd Avenue SE, Aberdeen, SD 57401.

C. Financial Statements Presentation

Government-Wide Statements

The statement of net assets and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. In order to minimize the grossing-up effect on asset and liabilities within the governmental and business-type funds activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities which are presented as Internal Balances. These statements distinguish between the governmental and business-type activities of the City and between the City and its discretely presented component unit. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category-governmental and proprietary-are presented.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The fund types of the financial reporting entity are described below:

Governmental Funds

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Project Funds – Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Permanent Funds – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City’s programs - that is for the benefit of the City and its citizenry. The permanent fund balance is for cemetery perpetual care.

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds – Internal service funds are used to account for the financing of goods or services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The primary purpose of the funds is to account for self-funded health and unemployment insurance.

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 of the City’s enterprise funds and of the government’s internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund’s operations.

The City reports the following major governmental funds:

- General Fund - Is the general operating fund of the City. The General Fund is always considered to be a major fund.
- Special Revenue Funds:
 - Park and Recreation Fund – To account for the proceeds from park and recreation revenue sources that are legally restricted to expenditures for park and recreation purposes.

- Special Sales Tax Fund – To account for any revenue received under section 23-35 of the revised ordinance of the City in excess of the amount received, if the rate of tax in such section were one percent, may be used only for capital improvement, land acquisition, the funding of public ambulances and medical emergency response vehicles, public hospitals or nonprofit hospitals with fifty or fewer licensed beds, other public health care facilities or nonprofit health care facilities with fifty or fewer licensed beds, the transfer to the special 911 fund authorized by SDCL 34-45-12, the purchasing of firefighting vehicles and equipment, debt retirement, and the minor or major rehabilitation or reconstruction of streets as defined in the June 1994 State Department of Transportation Pavement Condition Survey Guide for city streets. These expenditures may be financed through a sale-leaseback agreement. The council may, by resolution passed by at least a two-thirds majority, transfer amounts to other funds for projects specified in the resolution.

The City reports the following Major Enterprise Funds:

- Water Fund – Financed primarily by user charges this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL 9-47-1)
- Sewer Fund – Financed primarily by user charges this fund accounts for the construction and operation of the municipal sewer system and related facilities. (SDCL 9-48-2)

All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The government-wide, proprietary fund financial statements and component unit activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year that all eligibility requirements have been satisfied.

In the fund financial statements, the governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers significant revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City’s policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

E. Receivables

Business-type activities receivables are composed of amounts owed the City by municipal residents for water and sewer services rendered. All trade receivables are shown net of an allowance for uncollectibles. The allowance for uncollectibles on trade accounts receivables is equal to 5% of the outstanding receivable balance with the exception of the allowance for the Ambulance Fund which totals \$85,478 at December 31, 2011.

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets.

F. Inventory

Inventory in the General Fund and special revenue funds consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Inventory acquired for resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale is charged to expense as it is consumed. Inventories held for resale are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

The cost of inventory is recognized as an expense in both the fund and the government-wide financial statements when used (consumption method).

G. Capital Assets

Primary Government

Capital assets include land, buildings, improvements other than buildings, machinery and equipment, infrastructure and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets, including roads and bridges are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets. General infrastructure assets consist of the road network assets, airport runways, storm sewer system, bridges, parking lots and recreation trails and are reported at estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

All capital assets are valued at historical cost or estimated cost if actual historical cost could not be determined. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use.

For governmental funds, interest costs incurred during construction of capital assets are not capitalized along with other capital asset costs. For enterprise funds, the interest costs incurred during construction of capital are capitalized with the cost of the asset.

The total December 31, 2011 balance of governmental activities capital assets includes approximately 23.2% of capital assets that are valued at estimated historical cost. These estimated original costs were primarily established by deflated current replacement costs.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with net capital assets reflected in the statement of net assets. Capitalization thresholds (the dollar values at which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	***	***	***
Buildings	\$ 5,000	Straight-line	10-50 years
Improvements other than buildings	5,000	Straight-line	10-50 years
Machinery and equipment	5,000	Straight-line	5-20 years

***Land, an inexhaustible capital asset, is all capitalized and is not depreciated.

The accounting treatment over capital assets depends on whether those assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for, on the accrual basis, the same as in the government-wide statements.

Component Unit

Capital assets, which include land, buildings, and equipment, are reported in the basic financial statements. The Commission defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Expenditures for renewals and improvements that will significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense currently. When depreciable properties are retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income. Depreciation is computed using the straight-line method over estimated useful lives ranges based on the major asset category as listed below:

<u>Major Asset Category</u>	<u>Estimated Useful Life</u>
Land	N/A
Buildings and improvements	5-50 years
Furniture, equipment, and machinery - dwelling	3-20 years
Furniture, equipment, and machinery - nondwelling	3-20 years

H. Long-Term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of sales tax revenue bonds payable, tax increment financing (TIF) bonds payable, accrued leave payable, and installment purchase agreements. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. In addition, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The accounting for proprietary fund is on the accrual basis, the same in the fund statement as it is in the government-wide statements.

I. Program Revenues

Program revenues derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for Services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-Specific Operating Grants and Contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-Specific Capital Grants and Contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

J. Deferred Revenue

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

K. Cash Flows

For the purposes of the statement of cash flows, the City considers checking, money market funds, cash management pools, and all highly liquid securities with a maturity date of three months or less to be cash equivalents.

L. Equity Classifications

Government-Wide Statements

Equity is classified as net assets and is displayed in three components:

- Invested in Capital Assets, Net of Related Debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Assets – Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements

Governmental fund equity is classified as fund balance, and may distinguish between “Nonspendable”, “Restricted”, “Assigned”, and “Unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements.

M. Application of Net Assets

It is the City’s policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Classification Policies and Procedures

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable Fund Balance - Amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted Fund Balance - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. Restricted assets of the City consist of the vested balance in the reserve fund of the South Dakota Public Assurance Alliance (see Note 10). In addition the component unit, Housing and Redevelopment Commission has escrow deposits restricted by their mortgage lender and other cash deposits restricted by HUD.
- Committed Fund Balance - Amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

- Assigned Fund Balance - Amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned Fund Balance - Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The City uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Special Sales Tax Fund	Sales taxes
Park and Recreation Fund	Activity fees

A schedule of fund balances reported on the balance sheet of the governmental funds is provided as follows:

	General Fund	Major Park and Recreation Fund	Major Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances					
Nonspendable:					
Public assurance alliance reserve	\$ 289,712	\$ -	\$ -	\$ -	\$ 289,712
Inventory	-	-	-	11,678	11,678
Cemetery perpetual care	-	-	-	50,000	50,000
Restricted for:					
Promotion	-	-	-	52,055	52,055
Park and recreation	-	333,210	-	-	333,210
Park and recreation trust	-	-	-	552,470	552,470
Business improvement district	-	-	-	2,010	2,010
Parking	-	-	-	335,988	335,988
Storm water maintenance	-	-	-	41,328	41,328
Library fines	-	-	-	70,593	70,593
Landmark commission	-	-	-	14,739	14,739
Debt service reserve	-	-	-	2,115,646	2,115,646
Cemetery perpetual care	-	-	-	130,438	130,438
Committed to	-	-	-	-	-
Assigned to:					
Applied to next year's budget	603,600	-	-	-	603,600
Cemetery improvement	-	-	-	6,464	6,464
Airport	-	-	-	411,117	411,117
Unassigned	1,597,647	-	(602,759)	-	994,888
Total fund balances	\$ 2,490,959	\$ 333,210	\$ (602,759)	\$ 3,794,526	\$ 6,015,936

O. Rounding

Computer generated rounding variances exist in the basic financial statements and supplementary information. The variances result from values being entered with cents rather than as whole numbers.

Note 2 - Deposits and Investments Credit Risk, Concentrations of Credit Risk and Interest Rate Risk

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized as follows:

Deposits - Primary Government

The City’s cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank’s public debt rating which may not be less than “AA” or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is of the add-on type.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investments. The City’s policy is to credit all income from deposits and investments to the fund making the investment.

The actual bank balances at December 31, 2011 were as follows:

Primary Government	Bank Balance
Insured (FDIC/NCUA)	\$ 6,375,306
Uninsured, collateral jointly held by State’s/City’s agent in the name of the State and the pledging financial institution	10,920,979
Total deposits	\$ 17,296,285

The carrying amount of deposits on the December 31, 2011 statement of net assets was \$17,204,864.

Investments – Primary Government

In general, SDCL 4-5-9 permits municipal funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the City’s deposits may not be returned to it. The City’s deposit policy follows state statute which requires deposits in excess of the Depository Insurance maximums must be collateralized 100%. As of December 31, 2011, the City’s deposits in financial institutions were not exposed to any custodial credit risk. As of December 31, 2011, the City’s total deposits of \$17,296,285 (carrying value of \$17,204,864) were covered by insurance or collateral in accordance with the City’s deposit policy.

Investments – As of December 31, 2011, the City had the following investments:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
US Bank - First American Treasury Class D Money Market	Not Rated	\$ 602	\$ 602
US Bank - U.S. Treasury Note (matures on 05/31/12)	AAA	216,624	<u>216,624</u>
Total investments			<u>\$ 217,226</u>

Interest Rate Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits eligible investments for the City, as discussed above. The City has no further investment policy that would limit its investment choices.

Concentration of Credit Risk – The City places no limit on the amount that may be invested in any one issuer. Except for the investment listed above, all of the City’s deposits are with local banks located within the City.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investments. The City’s policy is to credit all income from deposits and investments to the fund making the investment.

Deposits - Component Unit

The Commission’s deposits are made and held in qualified public depositories. Qualified depositories are required by South Dakota Codified Law 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank’s public debt rating which may not be less than “AA” or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota. The Commission has entered into a general depository agreement in which deposits in excess of the amounts insured by the FDIC shall be fully and continually secured by the bank by the deposit or setting aside of collateral of the types and in the manner as is prescribed by State law for the security of public funds.

The Commission’s policy is to credit all income from deposits to the fund which makes the deposits.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the Commission’s deposits may not be returned. The Commission does not have a formal investment policy in regard to custodial credit risk. All deposits are held in the Commission’s name by US Bank.

At December 31, 2011, the actual bank balances were as follows:

	<u>Bank Balance</u>
Insured (FDIC)	\$ 500,000
Uninsured, collateral held by the Commission or the Commission's agent in the Commission's name	736,957
Total deposits	\$ 1,236,957
The Commission's carrying amount of deposits at December 31	\$ 1,210,045

Investments – Component Unit

The Commission does not have a formal investment policy that addresses custodial credit risk, interest rate risk, or credit risk.

The Commission, through Sherman Apartments, is required under the regulatory agreement with South Dakota Housing Development Authority (SDHDA) to maintain various mortgage escrows and reserve deposits for mortgage payments, payments in lieu of taxes (PILOT-property taxes), hazard insurance, property and equipment replacements, and residual receipts. SDHDA invests these restricted deposits in securities limited to direct general obligations of the U.S. Government, U.S. Government Agencies, direct and general obligations of any state within the United States rated in the two highest categories by a national rating agency, mutual funds invested in securities mentioned above and investment agreements secured by securities mentioned above. Investments issued by or explicitly guaranteed by the U.S. Government are not considered to have a credit risk. The Commission’s restricted deposits totaled \$2,756,172 as of December 31, 2011.

Note 3 - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year. The county bills and collects the City's taxes and remits them to the City.

The City is permitted by state statute to levy the following amounts of taxes per \$1,000 of taxable valuation of the taxable real property in the City:

General Fund	\$5.301
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Note 4 - Due from Other Governments

- General Fund - \$93,117 due from federal government for grants; \$50,000 due from state government for grants; \$167,881 due from state government for 1% city sales tax; \$88,354 due from state government for local government highway/bridge funds; \$44,222 due from state government for liquor tax reversion funds; and \$26,181 due from county government for taxes and licenses.
- Promotion Fund - \$25,400 due from state government for 1% city sales tax.
- Parks and Recreation Fund - \$1,256 due from federal government for grant.
- Parks Recreation Trust Fund - \$10,893 due from federal government for grant.
- Business Improvement District Fund - \$147 due from county government for taxes.
- Airport Fund - \$385,796 due from federal government for grant; \$44,267 due from state government for grants.
- Special Sales Tax Fund - \$167,881 due from state government for 1% city sales tax.
- Parking District Fund - \$167 due from county government for taxes.
- TIF District No. 11 Bond Fund - \$671 due from county government for taxes.
- Water Fund - \$2,056 due from federal government for grant; and \$208 due from county government for special assessments.

Note 5 - Changes in Capital Assets

A summary of changes in capital assets of the primary government for the year ended December 31, 2011 is as follows:

Primary Government	Balance 01/01/11	Increases	Decreases	Balance 12/31/11
Governmental Activities:				
Capital assets, not being depreciated:				
Land, not depreciated	\$ 7,176,682	\$ 1,555,839	\$ -	\$ 8,732,521
Construction work in progress	1,459,858	557,253	(1,459,858)	557,253
Total capital assets, not being depreciated	8,636,540	2,113,092	(1,459,858)	9,289,774
Capital assets, being depreciated:				
Buildings	35,066,157	131,770	-	35,197,927
Improvements other than buildings	93,389,751	6,354,144	(536,776)	99,207,119
Machinery and equipment	15,020,470	732,108	(495,800)	15,256,778
Total	143,476,378	7,218,022	(1,032,576)	149,661,824
Less accumulated depreciation for:				
Buildings	(8,242,344)	(696,998)	-	(8,939,342)
Improvements other than buildings	(34,317,464)	(3,018,203)	536,776	(36,798,891)
Machinery and equipment	(9,747,830)	(978,731)	423,731	(10,302,830)
Total accumulated depreciation	(52,307,638)	(4,693,932)	960,507	(56,041,063)
Total capital assets, being depreciated, net	91,168,740	2,524,090	(72,069)	93,620,761
Governmental activity capital assets, net	\$ 99,805,280	\$ 4,637,182	\$ (1,531,927)	\$ 102,910,535
Depreciation expense was charged to functions as follows:				
Governmental activities:				
General government				\$ 97,206
Public safety				402,393
Public works				3,392,827
Culture and recreation				801,506
Total depreciation expense - governmental activities				\$ 4,693,932

City of Aberdeen
Notes to Financial Statements
December 31, 2011

<u>Primary Government</u>	<u>Balance 01/01/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/11</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land, not depreciated	\$ 701,396	\$ 20,000	\$ -	\$ 721,396
Construction work in progress	823,959	-	(823,959)	-
Total capital assets, not being depreciated	<u>1,525,355</u>	<u>20,000</u>	<u>(823,959)</u>	<u>721,396</u>
Capital assets, being depreciated:				
Buildings	60,861,680	289,938	-	61,151,618
Improvements other than buildings	24,709,003	899,295	(29,040)	25,579,258
Machinery and equipment	6,692,269	256,144	(139,552)	6,808,861
Total	<u>92,262,952</u>	<u>1,445,377</u>	<u>(168,592)</u>	<u>93,539,737</u>
Less accumulated depreciation for:				
Buildings	(16,910,941)	(1,185,368)	-	(18,096,309)
Improvements other than buildings	(11,392,943)	(481,991)	29,040	(11,845,894)
Machinery and equipment	(2,869,069)	(440,401)	138,703	(3,170,767)
Total accumulated depreciation	<u>(31,172,953)</u>	<u>(2,107,760)</u>	<u>167,743</u>	<u>(33,112,970)</u>
Total capital assets, being depreciated, net	<u>61,089,999</u>	<u>(662,383)</u>	<u>(849)</u>	<u>60,426,767</u>
Business-type activity capital assets, net	<u>\$ 62,615,354</u>	<u>\$ (642,383)</u>	<u>\$ (824,808)</u>	<u>\$ 61,148,163</u>

Depreciation expense was charged to functions as follows:

Business-type activities:		
Water		\$ 1,006,055
Sewer		949,698
Campground		32,011
Golf		49,267
Ambulance		70,729
Total depreciation expense - business-type activities		<u>\$ 2,107,760</u>

The City has active construction projects as of December 31, 2011. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Public Works - Brown County #19 Storm Sewer	\$ 181,726	\$ 108,526
Airport - Agricultural Sprayer Taxiway Improvements	<u>375,527</u>	<u>499,255</u>
Total	<u>\$ 557,253</u>	<u>\$ 607,781</u>

A summary of changes in capital assets of the component unit for the year ended December 31, 2011 is as follows:

<u>Component Unit</u>	<u>Balance 1/1/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/11</u>
Capital assets, not being depreciated				
Land	\$ 521,686	\$ 142,604	\$ (143,104)	\$ 521,186
Capital assets, being depreciated:				
Buildings and improvements	7,333,670	3,654	(7,572)	7,329,752
Furniture, equipment and machinery - dwelling	262,808	9,350	(1,946)	270,212
Furniture, equipment and machinery - nondwelling	273,908	10,583	(8,769)	275,722
Total capital assets, being depreciated	<u>7,870,386</u>	<u>23,587</u>	<u>(18,287)</u>	<u>7,875,686</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,399,707)	(312,663)	-	(5,712,370)
Furniture, equipment and machinery - dwelling	(188,842)	(16,039)	8,227	(196,654)
Furniture, equipment and machinery - nondwelling	(239,995)	(17,306)	7,876	(249,425)
Total accumulated depreciation	<u>(5,828,544)</u>	<u>(346,008)</u>	<u>16,103</u>	<u>(6,158,449)</u>
Total capital assets being depreciated, net	<u>2,041,842</u>	<u>(322,421)</u>	<u>(2,184)</u>	<u>1,717,237</u>
Capital assets, net	<u>\$ 2,563,528</u>	<u>\$ (179,817)</u>	<u>\$ (145,288)</u>	<u>\$ 2,238,423</u>

Note 6 - Long-Term Liabilities

A summary of the changes in long-term liabilities follows:

Primary Government	January 1, 2011	Increases	Decreases	December 31, 2011	Due Within One Year	Interest Paid
Governmental activities:						
Tax increment revenue bonds #2	\$ 2,910,000	\$ 1,250,000	\$ (1,390,000)	\$ 2,770,000	\$ 100,000	\$ 153,410
Tax increment revenue bonds #4	107,710	-	(7,007)	100,703	7,462	7,001
Tax increment revenue bonds #6	1,279,998	-	(180,206)	1,099,792	192,315	86,016
Tax increment revenue bonds #8	3,543,804	-	(268,445)	3,275,359	162,975	191,268
Sales tax revenue bonds, ARCC	1,975,000	1,755,000	(1,810,000)	1,920,000	165,000	100,375
Sales tax revenue bonds, aquatic center	6,225,000	-	(300,000)	5,925,000	310,000	290,120
Sales tax revenue bonds, public safety buildings	8,905,000	-	(365,000)	8,540,000	380,000	368,768
Sales tax revenue bonds, campground expansion	570,000	-	(30,000)	540,000	30,000	20,963
Compensated absences	519,869	813,679	(771,850)	561,698	561,698	-
Installment purchase contract, log loader	49,101	-	(24,012)	25,089	25,089	2,205
Installment purchase contract, mower	-	49,424	-	49,424	23,870	-
Installment purchase contract, striper	-	102,170	-	102,170	51,085	-
Total government activities	<u>26,085,482</u>	<u>3,970,273</u>	<u>(5,146,520)</u>	<u>24,909,235</u>	<u>2,009,494</u>	<u>1,220,126</u>
Business-type activities:						
Water sales tax and revenue bonds	14,878,647	176,055	(812,529)	14,242,173	811,603	501,313
Sewer revenue bonds	14,803,816	2,096,384	(684,668)	16,215,532	720,563	364,922
Compensated absences	115,161	189,233	(176,233)	128,161	128,161	-
Total business-type activities	<u>29,797,624</u>	<u>2,461,672</u>	<u>(1,673,430)</u>	<u>30,585,866</u>	<u>1,660,327</u>	<u>866,235</u>
Total primary government	<u>\$ 55,883,106</u>	<u>\$ 6,431,945</u>	<u>\$ (6,819,950)</u>	<u>\$ 55,495,101</u>	<u>\$ 3,669,821</u>	<u>\$ 2,086,361</u>
Component Unit						
Mortgage payable	\$ 1,182,910	\$ -	\$ (73,829)	\$ 1,109,081	\$ 80,357	-
Compensated absences	16,772	1,034	-	17,806	17,806	-
	<u>\$ 1,199,682</u>	<u>\$ 1,034</u>	<u>\$ (73,829)</u>	<u>\$ 1,126,887</u>	<u>\$ 98,163</u>	<u>\$ -</u>

No anticipated reduction in compensated absences is foreseen for next year, continued minor growth should be seen for governmental and business-type activities. Compensated absences typically have been liquidated in either the General Fund or Enterprise Funds.

Current Refunding

On June 28, 2011, the City issued \$1,250,000 of Tax Incremental Revenue Refunding Bonds with no premium or discount, an interest rate of 5.50%, and a maturity in December, 2029. The proceeds of this issue were used to currently refund the Series 2003B and Series 2006C Tax Incremental Revenue Bonds in a like amount, both with interest rates of 5.50% and maturities in December, 2022. The intent of this refunding was to extend the maturity date of the debt to accommodate a reduction in the incremental revenue from the tax increment district due to a reduction in the property valuation in the district. Issuance costs of \$21,000 were paid from the debt service fund and are shown as an expense in that fund. The new issue will increase debt service payments for the City by \$537,969 with an economic gain (difference between the present value of the debt service on the old and the new bonds) of approximately \$14,501.

Advance Refunding

On August 16, 2011, the City issued \$1,755,000 of Sales Tax Revenue Refunding Bonds with a \$1,702 discount, an interest rate of 1.20% to 3.25%, and a final maturity in January, 2021. The proceeds of this issue were placed in an irrevocable escrow account and will be used to refund the Series 2005 Sales Tax Revenue Bonds in an amount of \$1,650,000 when callable on January 1, 2013. As a result, the refunded bonds are considered to be defeased and the liability for the Series 2005 Bonds has been removed. These bonds carry interest rates of 5.00% to 5.25%, with final maturities in January, 2021. The refunding decreased the City's total debt service payments by approximately \$88,869. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of approximately \$76,000 or 4.332%. Issuance costs of \$46,375 were included in the bond proceeds and are shown as a current year expense in the debt service fund. At December 31, 2011, \$1,650,000 of the defeased bonds is outstanding.

Liabilities payable at December 31, 2011 is comprised of the following (excluding compensated absences):

Primary Government

Tax Increment Revenue Bonds

Tax Increment Revenue Bonds, District No. 2 totaling \$3,195,000 were issued in 2003. Additional Tax Increment Revenue Bonds, District No. 2 totaling \$510,000 were issued in 2006. The bonds require annual payments ranging from \$105,000 to \$505,000 beginning December 2005, including interest ranging from 5.22% to 5.5% beginning December 2003 from the Debt Service Fund, final payment due December 2022. In 2011 the Series 2003B and 2006C bonds of \$1,250,000 were refunded by Series 2011 Bonds of \$1,250,000 to change the final payment of \$80,000 plus interest to December 2029. \$ 2,770,000

Tax Increment Revenue Bonds, District No. 4 totaling \$136,829 were issued in 2004. The bonds require annual payments ranging from \$5,114 to \$13,154 beginning August 2006, including interest at 6.5% beginning February 2005 from Debt Service Fund, final payment due August 2021. 100,703

Tax Increment Revenue Bonds, District No. 6 totaling \$1,448,856 were issued in 2008. The bonds require annual payments ranging from \$168,858 to \$249,458 beginning December 2010, including interest at 6.72% beginning June 2009 from Debt Service Fund, final payment due December 2016. 1,099,792

Tax Increment Revenue Bonds, District No. 8 totaling \$3,800,000 were issued in 2008. The bonds require annual payments ranging from \$65,954 to \$165,893 beginning May 2010, including interest at 5.5% beginning November 2008 from Debt Service Fund, final payment due May 2027. 3,275,359

Sales Tax Revenue Bonds

Sales Tax Revenue Bonds, Park and Recreation ARCC renovations, totaling \$2,835,000 were issued in 2005. The bonds require annual payments ranging from \$160,000 to \$245,000 beginning January 2006, including interest ranging from 2.7% to 5.25% from the Debt Service Fund, final payment due January 2021. In 2011, \$1,755,000 of bonds were issued to advance refund \$1,650,000 of these bonds, changing the final payment to \$240,000 and interest rates ranging from 1.20% to 3.25%, final payment remains January 2021. 1,920,000

<p>Sales Tax Revenue Bonds, Park and Recreation aquatic center, totaling \$7,505,000 were issued in 2005. The bonds require annual payments ranging from \$195,000 to \$565,000 beginning November 2006, including interest ranging from 4% to 5.13% from the Debt Service Fund, final payment due November 2025.</p>	5,925,000
<p>Sales Tax Revenue Bonds, Public Safety projects (police and fire), totaling \$9,865,000 were issued in 2007. The bonds require annual payments ranging from \$275,000 to \$730,000 beginning November 2008, including interest ranging from 3.75% to 5.5% from the Debt Service Fund, final payment due November 2027.</p>	8,540,000
<p>Sales Tax Revenue Bonds, Parks and Recreation Wylie Park campground expansion, totaling \$580,000, were issued in 2010. The bonds require annual payments ranging from \$10,000 to \$50,000 beginning December 2010, including interest ranging from 2.5% to 4.25% from the Debt Service Fund, final payment due December 2025.</p>	540,000
Installment Purchase Contracts	
<p>The City entered into a Purchase Agreement for \$49,101 with Kansas State Bank of Manhattan, KS in 2010 to purchase a log loader for the Parks, Recreation & Forestry Department. This debt requires annual payments of \$26,216 (this payment includes the interest at 4.49%) from the Park and Recreation Fund beginning in January 2011, final payment due January 2012.</p>	25,089
<p>The City entered into a Purchase Agreement for \$49,424 with Western Finance & Lease of Devils Lake, ND in 2011 to purchase a mower for the Parks, Recreation & Forestry Department. This debt requires annual payments of \$27,356 (this payment includes the interest at 6.83%) from the Park and Recreation Fund beginning in March 2012, final payment due March 2013.</p>	49,424
<p>The City entered into a Purchase Agreement for \$102,170 with EZ-Liner Industries of Orange City, IA in 2011 to purchase a striper for the Traffic Control Department. This debt requires annual payments of \$51,085 at zero (0) % interest from the General Fund beginning in May 2012, final payment due May 2013.</p>	102,170
Water Revenue Bonds	
<p>The City passed Resolution 03-05-04R, amended in January 2004, to enter into a "Drinking Water State Revolving Fund" loan agreement for up to \$16,760,000 in July 2003. The debt on the loan agreement totaling \$16,484,258, requires quarterly payments ranging from \$132,666 to \$287,756 beginning July 2006, including interest at 3.5% from the Water Fund, final payment due April 2026.</p>	13,045,067
Water Sales Tax Revenue Bonds	
<p>The City passed Ordinance 09-08-04, to enter into a "Drinking Water State Revolving Fund" loan agreement for up to \$1,750,000 in September 2009. The debt on the loan agreement totaling \$1,197,106, requires quarterly payments of \$33,504 beginning January 2012, including interest at 2.25% from the Water Fund, final payment due October 2021.</p>	1,197,106

Sewer Revenue Bonds

The City passed Resolution 05-02-02R, to enter into a “Clean Water State Revolving Fund” loan agreement for up to \$13,218,859 in April 2005. As of December 31, 2011, the amount drawn on the loan was \$13,167,430, currently requiring quarterly payments ranging from \$92,976 to \$207,736 beginning January 2008, including interest at 2.25% from the Sewer Fund, final payment due October 2027. 11,194,888

The City passed Resolution 07-04-04R, to enter into a “Clean Water State Revolving Fund” loan agreement for up to \$6,000,000 in April 2007. As of December 31, 2011, the amount drawn on the loan was \$5,201,739, currently requiring quarterly payments ranging from \$53,247 to \$60,830 beginning July 2010, including interest at 3.25% from the Sewer Fund, final payment due April 2030. 5,020,644

Component Unit

Sherman Apartments - SDHDA Project No. SD 99-H001-089, 8.5% mortgage payable in monthly installments of \$14,295, including principal and interest, through May 2021 \$ 1,109,081

The debt instruments for both the Water Revenue Bonds and Sewer Revenue Bonds, which were issued for the purpose of improving each system, contain provisions which pledge the future revenues of the respective drinking water and wastewater systems as security for the principal and interest payments on the related debt. The amount of the revenue pledged approximates the remaining principal and interest payments on the Water Revenue and Sewer Revenue Bonds, which will not be available for other purposes until approximately 2026 and 2030, respectively. Approximately 100% of each system’s usage and service revenues are considered pledged. For the Water Revenue Bonds, principal and interest paid and total customer revenues for 2011 were \$1,313,842 and \$4,085,892, respectively. For the Sewer Revenue Bonds, principal and interest paid and total customer revenues for 2011 were \$1,049,590 and \$2,873,076, respectively.

The loan agreements for both the Water Revenue Bonds and Sewer Revenue Bonds contain requirements for the City to comply with certain covenants relating to net revenues available for debt service. As of December 31, 2011, the City was in compliance with the net revenues available for debt service on both the Water Revenue Bonds and Sewer Revenue Bonds.

Tax Incremental Revenue Bonds

In July 2002, the City passed a resolution creating Tax Increment District No. 2. In September 2003, a resolution was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 2 in the amount of \$3,195,000. In June 2006, a resolution was passed authorizing an additional issuance of Tax Increment Revenue Bonds for District No. 2 in the amount of \$510,000. Bonds in the amount \$3,705,000 have been issued with the proceeds used to liquidate liabilities arising from public improvements relating to the Tax Increment District No. 2. Incremental property taxes were projected to produce 106% of the debt service requirements over the life of the bonds. In 2011 the Series 2003B and 2006C bonds of \$1,250,000 were refunded by Series 2011 Bonds of \$1,250,000 to change the final payment of \$80,000 plus interest due to December 2029. Total principal and interest remaining on the bonds is \$4,303,925, payable through December 2029. For 2011, principal and interest paid and total incremental property tax revenues were \$293,410 and \$295,172, respectively.

In October 2003, the City passed a resolution creating Tax Increment District No. 4. In February 2004, a resolution was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 4 in the amount of \$136,829. Bonds in the amount \$136,829 have been issued with the proceeds used to liquidate liabilities arising from public improvements relating to the Tax Increment District No. 4. Incremental property taxes were projected to produce 107% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$154,091, payable through August 2021. For 2011, principal and interest paid and total incremental property tax revenues were \$14,008 and \$15,830, respectively.

In April 2007, the City passed a resolution creating Tax Increment District No. 6. In August 2008, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 6 not to exceed \$1,600,000. In October 2008, an ordinance was passed to amend the amount of the authorized issuance of Tax Increment Revenue Bonds for District No. 6 to \$1,448,856. Bonds in the amount \$1,448,856 have been issued with the proceeds used to liquidate liabilities arising from public improvements relating to the Tax Increment District No. 6. Incremental property taxes were projected to produce 116% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$1,331,106, payable through December 2016. For 2011, principal and interest paid and total incremental property tax revenues were \$266,221 and \$269,185, respectively.

In November 2007, the City passed a resolution creating Tax Increment District No. 8. In December 2007, a resolution was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 8 in the amount of \$3,500,000. In January 2008, a resolution was passed to amend the project plan and an ordinance was then passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 8 in the amount of \$4,500,000. Bonds in the amount of \$3,800,000 have been issued with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 8. Incremental property taxes were projected to produce 105% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$4,723,401, payable through May 2025. For 2011, principal and interest paid and total incremental property tax revenues were \$459,714 and \$459,714, respectively.

The Tax Increment Revenue Bonds, District Nos. 2, 4, 6, and 8 do not pledge the general credit or taxing powers of the City of Aberdeen. The bonds are payable solely from the tax increment payments received and other revenues derived by the City from the Tax Increment Revenue Bonds, District Nos. 2, 4, 6, and 8.

The annual requirements to maturity for all debt outstanding as of December 31, 2011, excluding compensated absences are as follows:

Year Ending December 31	Tax Increment Revenue Bonds		Sales Tax Revenue Bonds		Installment Purchase Contracts	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 462,752	\$ 404,476	\$ 885,000	\$ 746,475	\$ 100,044	\$ 4,613
2013	490,249	376,881	955,000	665,187	76,639	1,802
2014	519,150	347,623	990,000	632,365	-	-
2015	549,547	316,616	1,025,000	597,565	-	-
2016	581,534	283,764	1,065,000	559,760	-	-
2017-2021	1,963,066	1,042,617	5,785,000	2,057,284	-	-
2022-2026	2,189,556	433,385	5,490,000	814,975	-	-
2027-2030	490,000	47,300	730,000	29,200	-	-
	<u>\$ 7,245,854</u>	<u>\$ 3,252,662</u>	<u>\$ 16,925,000</u>	<u>\$ 6,102,811</u>	<u>\$ 176,683</u>	<u>\$ 6,415</u>

Year Ending December 31	Water Revenue Bonds		Sewer Revenue Bonds		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 811,603	\$ 473,437	\$ 773,072	\$ 394,384	\$ 80,357	\$ 91,187
2013	839,005	446,036	810,293	388,227	87,460	84,084
2014	867,347	417,693	830,809	367,710	95,190	76,354
2015	896,663	388,378	851,862	346,658	103,604	67,940
2016	926,985	358,055	873,464	325,055	112,762	58,782
2017-2021	5,127,517	1,297,686	4,711,677	1,280,921	629,708	127,738
2022-2026	4,773,053	406,550	5,343,311	649,287	-	-
2027-2030	-	-	2,021,044	85,865	-	-
	<u>\$ 14,242,173</u>	<u>\$ 3,787,835</u>	<u>\$ 16,215,532</u>	<u>\$ 3,838,107</u>	<u>\$ 1,109,081</u>	<u>\$ 506,085</u>

Note 7 - Conduit Debt

In the past, the City has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property of the private-sector entity being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. The City of Aberdeen, the State of South Dakota, or any other political subdivision of the State is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2011, there were seven revenue bond issues of this type outstanding. The balance of the six revenue bonds issued after July 1, 1995, was \$9,315,080. The aggregate outstanding balance of the remaining one revenue bond issued before July 1, 1995, could not be practically determined; however, the original issue totaled \$500,000.

Note 8 - Interfund Balances and Activity

Transfers to/from other funds during the year ended December 31, 2011 consist of the following:

From the general fund to parks and recreation fund to supplement other funds sources	\$ 3,222,915
From the general fund to the airport fund to supplement other funds sources	552,660
From the general fund to the golf fund to supplement other funds sources	125,000
From the general fund to the ambulance fund to supplement other funds sources	225,000
From the general fund to the unemployment compensation fund to supplement other funds sources	30,000
From the parks and recreation fund to the golf fund to supplement other funds sources	53,000
From the parks and recreation trust fund to the general fund to supplement other funds sources	31,140
From the special sales tax fund to debt service funds to supplement other funds sources	1,634,000
From the special sales tax fund to the parks and recreation fund to supplement other funds sources	130,000
From the special sales tax fund to the airport fund to supplement other funds sources	22,000
From the special sales tax fund to the ambulance fund to supplement other fund sources	150,000
From the TIF district no. 3 projects fund to the TIF district no. 3 bonds fund to supplement other funds sources	119,446
From the water fund to the general fund to supplement other funds sources	223,341
From the water fund to the parks and recreation fund to supplement other funds sources	110,284
From the water fund to the sewer fund to supplement other funds sources	20,313
From the water fund to the golf fund to supplement other funds sources	63,842
From the sewer fund to the general fund to supplement other funds sources	144,390
From the campground fund to the general fund to supplement other funds sources	30,380
From the campground fund to the special sales tax fund to supplement other funds sources	51,000
From other enterprise funds to the general fund to supplement other funds sources	51,300
Other transfers between governmental funds	13,671
	<u>\$ 7,003,682</u>

Note 9 - Restricted Net Assets

The following table shows the net assets restricted for other purposes as shown on the government-wide statement of net assets as of December 31, 2011:

Fund	Restricted By	Amount
Promotion fund	State Law	\$ 127,879
Park and recreation fund	State Law	333,210
Park recreation trust fund	State Law	552,470
Business improvement district fund	State Law	2,010
Parking fund	State Law	335,988
Storm water maintenance fund	State Law	53,006
Library fines fund	State Law	70,593
Aberdeen landmark commission	State Law	14,740
General fund - SD public assurance alliance	Contractual Agreement	289,712
		<u>\$ 1,779,608</u>

Note 10 - Risk Management

Primary Government

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2011, the City managed its risks as follows:

Employee Health Insurance

The City has established a Self-Funded Insurance Fund (an Internal Service Fund) to account for and finance its risks related to:

- a. Life Insurance – Maximum \$10,000
- b. Accidental Death and Dismemberment - Maximum \$20,000
- c. Prescription Drug - Insured co-payment per prescription: 20% generic and 30% non-generic
- d. Major Medical - Maximum \$2,000,000

Various rates of benefit coverages, deductibles, etc., are included in the insurance package provided for the covered employees and dependents. Also, the City provided a “Wellness/Preventative Care Program” to assist employees and covered dependents in addressing wellness/preventative care in advance of serious medical conditions from January 1, 2011 through November 30, 2011. The benefit under this program was \$300 for single coverage, \$450 for two-party coverage, and \$600 for family coverage as outlined in the statement of policy.

The City purchases commercial insurance for the life insurance and accidental death and dismemberment coverages provided. The City purchases stop loss insurance on their health insurance coverage which limits their risk to \$75,000 per individual with an aggregate of approximately \$1,660,673.

All funds of the City which pay employee wages participate in the program and make payments to the Self-Funded Insurance Fund. The Self-Funded Insurance Fund makes payments to Dakotacare Administrative Services (DAS) based on actual expenses needed to pay current claims and to purchase stop loss insurance coverage of \$75,000 per individual. A reserve of \$1,011,873 is available for future claims and premium increases and is reported as a designation of the Self-Funded Insurance Fund net assets. The amount of claim liabilities for the year ended December 31, 2011, 2010 and 2009 were \$51,110, \$46,920 and \$92,999, respectively.

Changes in the amount of claims liabilities in the last three years were as follows:

	<u>Balance at January 1</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at December 31</u>
2011	\$ 46,920	\$ 1,256,211	\$ 1,252,021	\$ 51,110
2010	92,999	1,061,235	1,107,314	46,920
2009	121,501	960,285	988,787	92,999

Liability Insurance

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based in the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for general liability, official's liability, automobile liability, and law enforcement liability.

The agreement with the SDPAA provides that the above coverages will be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance claims in excess of \$250,000 to the upper limit. The City carries the following deductibles for the coverages listed below:

<u>Coverage</u>	<u>Deductible</u>
General liability	\$ 250
Officials liability	2,500
Automobile liability	-
Law enforcement liability	3,000

The City is not liable for any claims exceeding the amount of payments paid to the fund; therefore, no liability for unpaid claims has been established. Stop loss insurance is provided to protect against catastrophic losses. Premiums are paid from the General, Special Revenue, and Enterprise Funds.

A portion of the member premiums are also allocated to a cumulative reserve fund. The City would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of City's first full year	50%
End of City's second full year	60%
End of City's third full year	70%
End of City's fourth full year	80%
End of City's fifth full year	90%
End of City's sixth full year	100%

As of December 31, 2011, the City has vested balance in the cumulative reserve fund of \$289,712.

Worker's Compensation

The City participates in the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate costs of the experience to date of the fund members. Coverage limits are set by state statute. The pool pays for the first \$650,000 of any claim per individual. The pool has reinsurance that covers the statutory benefit per individual per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

The City has reserved equity in the Unemployment Compensation Fund in the amount of \$14,453 for the payment of future unemployment benefits.

During the year ended December 31, 2011, claim benefits of \$17,219 were incurred and there were no outstanding claims.

Component Unit

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2011, the Commission managed its risks by purchasing liability insurance from a commercial carrier for risks related to torts, theft or damage of property, and errors and omissions; and liability insurance for workmen's compensation. The Commission provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

Note 11 - Retirement Plan

By City ordinance, all employees working full-time more than twenty hours per week and six months of service participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple-employer, public employee retirement system (PERS) established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivors benefits. The right to receive retirement benefits vests after three years of contributory service. Authority for establishing, administering, and amending plan provisions are found in South Dakota Codified Law (SDCL) 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P. O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Class A, general employees are required by state statute to contribute 6% of their salary to the plan, while Class B, public safety and judicial employees contribute at 8% and 9%, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal year ended December 31, 2011, 2010, and 2009 were \$755,539, \$739,108, and \$718,872, respectively, equal to the required contributions each year.

Note 12 - Litigation

The City is party to numerous legal proceedings, many of which occur in the normal course of governmental operations. Adverse judgment of these lawsuits could result in liabilities to the City. Based on prior experience, it is unlikely the outcome of these claims will materially affect the financial position of the City.

Note 13 - Commitments

The City has approved contributions from the Special Sales Tax Fund to the following:

- a. Northeast Regional Health and Fitness Center: - \$250,000 annually for 2012 thru 2016; for a total of \$1,250,000.
- b. Clark Swisher Athletic Complex: \$155,200 annually for 2012 thru 2014; for a total of \$465,600.



Required Supplementary Information
December 31, 2011

City of Aberdeen

City of Aberdeen
 Budgetary Comparison Schedule—General Fund
 Year Ended December 31, 2011

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes:				
311 General property taxes	\$ 6,530,000	\$ 6,530,000	\$ 6,396,605	\$ (133,395)
313 General sales and use taxes	7,910,000	7,910,000	7,684,065	(225,935)
318 Tax deed revenue	-	-	-	-
319 Penalties and interest on delinquent taxes	8,000	8,000	13,386	5,386
320 Licenses and permits	433,500	433,500	472,747	39,247
330 Intergovernmental revenue:				
331 Federal grants	545,000	545,000	502,985	(42,015)
334 State grants	55,000	55,000	53,979	(1,021)
335 State shared revenue:				
335.01 Bank franchise tax	80,000	80,000	55,640	(24,360)
335.02 Motor vehicle commercial prorate	20,000	20,000	26,318	6,318
335.03 Liquor tax reversion	150,000	150,000	155,750	5,750
335.04 Motor vehicle licenses (5%)	90,000	90,000	107,351	17,351
335.06 Fire insurance premiums reversion	60,000	60,000	60,735	735
335.08 Local government highway and bridge fund	340,000	340,000	385,322	45,322
335.20 Other	100,500	100,500	104,341	3,841
336 State payments in lieu of taxes	-	-	5,297	5,297
338 County shared revenue:				
338.02 County HBR tax	20,500	20,500	20,440	(60)
338.03 County wheel tax	8,000	8,000	8,466	466
340 Charge for goods and services:				
341 General government	59,500	59,500	68,113	8,613
342 Public safety	49,000	49,000	91,751	42,751
343 Highways and streets	105,000	105,000	126,602	21,602
344 Sanitation	1,225,500	1,225,500	1,247,156	21,656
345 Health	5,000	5,000	7,500	2,500
346 Culture and recreation	2,500	2,500	3,152	652
349 Other	160,000	160,000	188,607	28,607
350 Fines and forfeits:				
351 Court fines and costs	35,000	35,000	33,767	(1,233)
359 Other	1,000	1,000	560	(440)
360 Miscellaneous revenue:				
361 Investment earnings	30,000	30,000	9,734	(20,266)
362 Rentals	190,000	190,000	191,934	1,934
367 Contributions and donations from private sources	21,500	21,500	21,372	(128)
369 Other	25,000	25,000	38,007	13,007
Total revenues	<u>18,259,500</u>	<u>18,259,500</u>	<u>18,081,682</u>	<u>(177,818)</u>

City of Aberdeen
Budgetary Comparison Schedule—General Fund
Year Ended December 31, 2011

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
410 General government:				
411 Legislative				
411.5 Contingency	300,000	300,000		
Amount transferred				300,000
412 Executive	343,885	469,885	403,398	66,487
414 Financial administration	1,036,770	1,074,770	957,650	117,120
419 Other	1,495,365	1,576,865	1,350,521	226,344
Total general government	<u>3,176,020</u>	<u>3,421,520</u>	<u>2,711,569</u>	<u>709,951</u>
420 Public safety:				
421 Police	3,662,505	3,788,505	3,701,719	86,786
422 Fire	2,281,840	2,450,840	2,354,789	96,051
423 Protective inspection	205,725	205,725	187,457	18,268
Total public safety	<u>6,150,070</u>	<u>6,445,070</u>	<u>6,243,965</u>	<u>201,105</u>
430 Public works:				
431 Highways and streets	2,313,385	3,170,385	2,796,285	374,100
432 Sanitation	1,172,875	1,172,875	1,038,772	134,103
439 Transit	609,030	609,030	573,873	35,157
Total public works	<u>4,095,290</u>	<u>4,952,290</u>	<u>4,408,930</u>	<u>543,360</u>
440 Health and welfare:				
445 Drug education	62,950	62,950	35,827	27,123
449 Other	53,415	53,415	45,929	7,486
Total health and welfare	<u>116,365</u>	<u>116,365</u>	<u>81,756</u>	<u>34,609</u>
450 Culture and recreation:				
451 Recreation	28,035	28,035	24,514	3,521
455 Libraries	1,049,500	1,050,500	923,589	126,911
Total culture and recreation	<u>1,077,535</u>	<u>1,078,535</u>	<u>948,103</u>	<u>130,432</u>
460 Conservation and development:				
465 Economic development and assistance (industrial development)	522,800	1,922,800	1,127,421	795,379
Total conservation and development	<u>522,800</u>	<u>1,922,800</u>	<u>1,127,421</u>	<u>795,379</u>
470 Debt service	-	-	-	-
Total expenditures	<u>15,138,080</u>	<u>17,936,580</u>	<u>15,521,744</u>	<u>2,414,836</u>
Excess of Revenue over (under) Expenditures	<u>3,121,420</u>	<u>322,920</u>	<u>2,559,938</u>	<u>2,237,018</u>
Other Financing Sources (Uses)				
391.01 Transfers in	413,240	483,380	480,551	(2,829)
511 Transfers out	(4,100,575)	(4,155,575)	(4,155,575)	-
391.02 Proceeds of general long-term debt issued	-	-	102,170	102,170
391.03 Sale of municipal property	20,000	20,000	18,859	(1,141)
391.04 Compensation for loss or damage to capital assets	15,000	15,000	29,160	14,160
Total other financing sources (uses)	<u>(3,652,335)</u>	<u>(3,637,195)</u>	<u>(3,524,835)</u>	<u>112,360</u>
Net Change in Fund Balances	(530,915)	(3,314,275)	(964,897)	2,349,378
Fund Balance - Beginning	<u>3,455,855</u>	<u>3,455,855</u>	<u>3,455,855</u>	-
Fund Balance - Ending	<u>\$ 2,924,940</u>	<u>\$ 141,580</u>	<u>\$ 2,490,958</u>	<u>\$ 2,349,378</u>

City of Aberdeen
 Budgetary Comparison Schedule—Park and Recreation Fund
 Year Ended December 31, 2011

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
330 Intergovernmental revenue:				
331 Federal grants	\$ -	\$ -	\$ 62,689	\$ 62,689
334 State grants	-	-	6,791	6,791
340 Charge for goods and services:				
346 Culture and recreation	591,250	591,250	575,499	(15,751)
360 Miscellaneous revenue:				
361 Investment earnings	20	20	100	80
Total revenues	<u>591,270</u>	<u>591,270</u>	<u>645,079</u>	<u>53,809</u>
Expenditures				
450 Culture and recreation:				
451 Recreation	2,399,795	2,682,695	2,536,338	146,357
452 Parks	1,388,170	1,512,120	1,483,351	28,769
Total culture and recreation	<u>3,787,965</u>	<u>4,194,815</u>	<u>4,019,689</u>	<u>175,126</u>
470 Debt service	26,220	26,220	26,216	4
Total expenditures	<u>3,814,185</u>	<u>4,221,035</u>	<u>4,045,905</u>	<u>175,130</u>
Excess of Revenue over (under) Expenditures	<u>(3,222,915)</u>	<u>(3,629,765)</u>	<u>(3,400,826)</u>	<u>228,939</u>
Other Financing Sources (Uses)				
391.01 Transfers in	3,222,915	3,480,915	3,471,199	(9,716)
511 Transfers out	-	(53,000)	(53,000)	-
391.02 Proceeds of general long-term debt issued	-	-	49,424	49,424
391.04 Compensation for loss or damage to capital assets	-	-	1,626	1,626
Total other financing sources (uses)	<u>3,222,915</u>	<u>3,427,915</u>	<u>3,469,249</u>	<u>41,334</u>
Net Change in Fund Balances	-	(201,850)	68,423	270,273
Fund Balance - Beginning	<u>264,787</u>	<u>264,787</u>	<u>264,787</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 264,787</u>	<u>\$ 62,937</u>	<u>\$ 333,210</u>	<u>\$ 270,273</u>

City of Aberdeen
 Budgetary Comparison Schedule—Special Revenue Fund—Special Sales Tax Fund
 Year Ended December 31, 2011

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes:				
313 General sales and use taxes	\$ 7,550,000	\$ 7,550,000	\$ 7,357,539	\$ (192,461)
330 Intergovernmental revenue:				
331 Federal grants	-	-	1,734,719	1,734,719
334 State grants	-	-	361,000	361,000
360 Miscellaneous revenue:				
361 Investment earnings	50,000	50,000	1,478	(48,522)
363 Special assessments	200,000	200,000	-	(200,000)
367 Contributions and donations from private sources	-	-	350,000	350,000
369 Other	-	-	215,000	215,000
Total revenues	<u>7,800,000</u>	<u>7,800,000</u>	<u>10,019,736</u>	<u>2,219,736</u>
Expenditures				
410 General government:				
419 Other	25,000	25,000	10,625	14,375
Total general government	<u>25,000</u>	<u>25,000</u>	<u>10,625</u>	<u>14,375</u>
420 Public safety:				
422 Fire	125,000	125,000	-	125,000
429 Other protection	200,000	320,000	319,582	418
Total public safety	<u>325,000</u>	<u>445,000</u>	<u>319,582</u>	<u>125,418</u>
430 Public works:				
431 Highways and streets	7,013,000	8,443,000	7,353,525	1,089,475
432 Sanitation	209,400	259,400	69,349	190,051
433 Water	188,000	188,000	10,127	177,873
435 Airport	-	-	-	-
Total public works	<u>7,410,400</u>	<u>8,890,400</u>	<u>7,433,001</u>	<u>1,457,399</u>
450 Culture and recreation:				
452 Parks	334,400	416,400	374,536	41,864
455 Libraries	100,000	1,100,000	751,848	348,152
Total culture and recreation	<u>434,400</u>	<u>1,516,400</u>	<u>1,126,384</u>	<u>390,016</u>
460 Conservation and development:				
465 Economic development and assistance (industrial development)	405,200	405,200	405,000	200
Total conservation and development	<u>405,200</u>	<u>405,200</u>	<u>405,000</u>	<u>200</u>
Total expenditures	<u>8,600,000</u>	<u>11,282,000</u>	<u>9,294,592</u>	<u>1,987,408</u>
Excess of Revenue over (under) Expenditures	<u>(800,000)</u>	<u>(3,482,000)</u>	<u>725,144</u>	<u>4,207,144</u>
Other Financing Sources (Uses)				
391.01 Transfers in	51,000	51,000	51,000	-
511 Transfers out	(1,936,000)	(1,936,000)	(1,936,000)	-
391.02 Proceeds from general long-term debt	-	-	-	-
Total other financing sources (uses)	<u>(1,885,000)</u>	<u>(1,885,000)</u>	<u>(1,885,000)</u>	<u>-</u>
Net Change in Fund Balances	(2,685,000)	(5,367,000)	(1,159,856)	4,207,144
Fund Balance - Beginning	557,097	557,097	557,097	-
Fund Balance - Ending	<u>\$ (2,127,903)</u>	<u>\$ (4,809,903)</u>	<u>\$ (602,759)</u>	<u>\$ 4,207,144</u>

Note 1 - Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular Board meeting in September of each year or within ten days thereafter, the City Council introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the City Council, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total municipal budget and may be transferred by resolution of the City Council to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the City Council.

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 employed as an extension of formal budgetary integration in the General Fund, special revenue funds and capital projects funds.

The City did not encumber any amounts at either December 31, 2010 or December 31, 2011.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds and capital project funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

Note 2 - Budget Reconciliation

The City is reporting financial position, results of operations, and changes in fund balances in conformity with GAAP while the Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual are presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The major difference between the budgetary basis and the GAAP basis is that all capital outlay expenditures are recorded with other functional expenses for budget purposes rather than as a separate line item for GAAP purposes. There is no effect on the net change in fund balance.



Supplementary Information
December 31, 2011
City of Aberdeen

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	Promotion Fund	Park and Recreation Trust Fund	Cemetery Improvement Fund	Business Improvement District Fund	Airport Fund	Parking District Fund	Storm Water Maintenance Fund	Library Fines Fund	Aberdeen Landmark Commission Fund
Assets									
Cash and cash equivalents	\$ 81,995	\$ 571,522	\$ 6,464	\$ -	\$ 166,842	\$ 336,938	\$ 40,464	\$ 70,593	\$ 15,239
151 Investments	-	-	-	-	-	-	-	-	-
110 Taxes receivable, delinquent	-	-	-	1,863	-	1,904	-	-	-
115 Accounts receivable, net	-	-	-	-	28,033	-	11,102	-	-
121 Special assessments receivable, net	-	-	-	-	-	-	-	-	-
132 Due from federal/state/county government	25,400	10,893	-	147	430,063	167	-	-	-
141 Inventory of supplies	-	-	-	-	-	-	11,678	-	-
	<u>\$ 107,395</u>	<u>\$ 582,415</u>	<u>\$ 6,464</u>	<u>\$ 2,010</u>	<u>\$ 624,938</u>	<u>\$ 339,009</u>	<u>\$ 63,244</u>	<u>\$ 70,593</u>	<u>\$ 15,239</u>
Liabilities and Fund Balances									
Liabilities									
202 Accounts payable	\$ 55,340	\$ 26,816	\$ -	\$ -	\$ 167,992	\$ 3,021	\$ 6,221	\$ -	\$ 500
207 Contracts payable - retained percentage	-	-	-	-	37,088	-	-	-	-
216 Accrued wages payable	-	3,129	-	-	8,741	-	4,017	-	-
Total liabilities	<u>55,340</u>	<u>29,945</u>	<u>-</u>	<u>-</u>	<u>213,821</u>	<u>3,021</u>	<u>10,238</u>	<u>-</u>	<u>500</u>
Fund Balances									
263 Nonspendable	-	-	-	-	-	-	11,678	-	-
264 Restricted	52,055	552,470	-	2,010	-	335,988	41,328	70,593	14,739
265 Committed	-	-	-	-	-	-	-	-	-
266 Assigned	-	-	6,464	-	411,117	-	-	-	-
267 Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	<u>52,055</u>	<u>552,470</u>	<u>6,464</u>	<u>2,010</u>	<u>411,117</u>	<u>335,988</u>	<u>53,006</u>	<u>70,593</u>	<u>14,739</u>
	<u>\$ 107,395</u>	<u>\$ 582,415</u>	<u>\$ 6,464</u>	<u>\$ 2,010</u>	<u>\$ 624,938</u>	<u>\$ 339,009</u>	<u>\$ 63,244</u>	<u>\$ 70,593</u>	<u>\$ 15,239</u>

City of Aberdeen
 Combining Balance Sheet–Nonmajor Governmental Funds
 December 31, 2011

Tax Increment Financing District No. 2 Bonds Fund	Tax Increment Financing District No. 4 Bonds Fund	Park and Rec ARCC Bonds Fund	Park and Rec Aquatic Center Bonds Funds	Tax Increment Financing District No.6 Bonds Fund	Public Safety Bonds Fund	Tax Increment Financing District No. 8 Bonds Fund	Tax Increment Financing District No.11 Bonds Fund	Wylie Park Campground Expansion Bonds Fund	Tax Increment Financing District No. 3 Project Fund	Cemetery Perpetual Care Fund	Total Nonmajor Governmental Funds
\$ 4,603	\$ 16,023	\$ -	\$ -	\$ 32,896	\$ -	\$ 7,447	\$ -	\$ -	\$ -	\$ 180,438	\$ 1,531,464
217,226	-	282,725	550,251	-	941,178	-	-	53,600	-	-	2,044,980
-	-	-	-	1,932	-	-	6,627	-	466	-	12,792
-	-	-	-	-	-	-	-	-	-	-	39,135
-	-	-	-	-	-	-	671	-	-	-	467,341
-	-	-	-	-	-	-	-	-	-	-	11,678
<u>\$ 221,829</u>	<u>\$ 16,023</u>	<u>\$ 282,725</u>	<u>\$ 550,251</u>	<u>\$ 34,828</u>	<u>\$ 941,178</u>	<u>\$ 7,447</u>	<u>\$ 7,298</u>	<u>\$ 53,600</u>	<u>\$ 466</u>	<u>\$ 180,438</u>	<u>\$ 4,107,390</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 259,890
-	-	-	-	-	-	-	-	-	-	-	37,088
-	-	-	-	-	-	-	-	-	-	-	15,887
-	-	-	-	-	-	-	-	-	-	-	312,865
-	-	-	-	-	-	-	-	-	-	50,000	61,678
221,829	16,023	282,725	550,251	34,828	941,178	7,447	7,298	53,600	466	130,438	3,315,266
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	417,581
-	-	-	-	-	-	-	-	-	-	-	-
<u>221,829</u>	<u>16,023</u>	<u>282,725</u>	<u>550,251</u>	<u>34,828</u>	<u>941,178</u>	<u>7,447</u>	<u>7,298</u>	<u>53,600</u>	<u>466</u>	<u>180,438</u>	<u>3,794,525</u>
<u>\$ 221,829</u>	<u>\$ 16,023</u>	<u>\$ 282,725</u>	<u>\$ 550,251</u>	<u>\$ 34,828</u>	<u>\$ 941,178</u>	<u>\$ 7,447</u>	<u>\$ 7,298</u>	<u>\$ 53,600</u>	<u>\$ 466</u>	<u>\$ 180,438</u>	<u>\$ 4,107,390</u>

	Promotion Fund	Park and Recreation Trust	Cemetery Improvement Fund	Business Improvement District Fund	Airport Fund	Parking District Fund	Storm Water Maintenance Fund	Library Fines Fund	Aberdeen Landmark Commission Fund	Tax Increment Financing District No. 2 Bonds Fund
Revenues										
310 Taxes:										
311 General property taxes	\$ -	\$ -	\$ -	\$ 67,119	\$ -	\$ 77,503	\$ -	\$ -	\$ -	\$ 295,172
312 Airflight property tax	-	-	-	-	22,600	-	-	-	-	-
313 General sales and use taxes	876,724	-	-	-	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	-	-	-	320	1	248	-	-	-	-
330 Intergovernmental revenue:										
331 Federal grants	-	16,581	-	-	1,326,528	-	-	-	2,376	-
334 State grants	-	-	-	-	41,890	-	-	-	-	-
335 State shared revenue:	-	-	-	-	-	-	-	-	-	-
335.20 Other	-	-	-	-	4,467	-	-	-	-	-
340 Charges for goods and services:										
344 Sanitation	-	-	-	-	-	-	442,096	-	-	-
346 Culture and recreation	-	658,180	-	-	-	-	-	-	-	-
348 Cemetery	-	-	998	-	-	-	-	-	-	-
349 Other	-	-	-	-	289,071	-	-	-	-	-
350 Fines and forfeits:										
354 Library	-	-	-	-	-	-	-	18,730	-	-
359 Other	-	-	-	-	1,227	-	-	-	-	-
360 Miscellaneous revenue:										
361 Investment earnings	47	472	185	-	217	309	448	70	14	7,418
362 Rentals	-	-	-	-	-	5,132	-	-	-	-
367 Contributions and donations from private sources	-	301,587	31	-	-	-	-	-	-	-
369 Other	-	-	-	-	756	-	-	-	1,000	-
Total revenues	876,771	976,820	1,214	67,439	1,686,757	83,192	442,544	18,800	3,390	302,590
Expenditures										
430 Public works:										
431 Highways and streets	-	-	-	-	-	-	451,616	-	-	-
435 Airport	-	-	-	-	2,325,141	-	-	-	-	-
436 Parking facilities	-	-	-	-	-	58,618	-	-	-	-
437 Cemeteries	-	-	15,342	-	-	-	-	-	-	-
Total public works	-	-	15,342	-	2,325,141	58,618	451,616	-	-	-
450 Culture and recreation:										
451 Recreation	-	360,840	-	-	-	-	-	-	-	-
452 Parks	-	462,391	-	-	-	-	-	-	-	-
455 Libraries	-	-	-	-	-	-	10,008	-	-	-
457 Historical preservation	-	-	-	-	-	-	-	-	3,118	-
Total culture and recreation	-	823,231	-	-	-	-	10,008	-	3,118	-
460 Conservation and development:										
463 Urban redevelopment and housing	-	-	-	-	-	-	-	-	-	-
465 Economic development and assistance (industrial development)	948,311	-	-	-	67,354	-	-	-	-	-
Total conservation and development	948,311	-	-	-	67,354	-	-	-	-	-
470 Debt service										
Total expenditures	948,311	823,231	15,342	-	2,392,495	58,618	451,616	10,008	3,118	1,565,310
Excess of revenue over (under) expenditures	(71,540)	153,589	(14,128)	67,439	(705,738)	24,574	(9,072)	8,792	272	(1,262,720)
Other Financing Sources (Uses)										
391.01 Transfers in	-	-	-	-	578,268	-	2,063	-	-	-
511 Transfers out	-	(39,140)	-	-	-	-	-	-	-	-
513 Payments to refunded debt escrow agent	-	-	-	-	-	-	-	-	-	-
391.02 Proceeds of general long-term debt issued	-	-	-	-	-	-	-	-	-	1,250,000
391.04 Compensation for loss or damage to capital assets	-	-	-	-	600	-	-	-	-	-
Total other financing sources (uses)	-	(39,140)	-	-	578,868	-	2,063	-	-	1,250,000
Net Change in Fund Balances	(71,540)	114,449	(14,128)	67,439	(126,870)	24,574	(7,009)	8,792	272	(12,720)
Fund Balance - Beginning	123,595	438,020	20,592	1,926	470,634	311,414	60,015	61,801	14,467	234,548
Fund Balance - Ending	\$ 52,055	\$ 552,469	\$ 6,464	\$ 69,365	\$ 343,764	\$ 335,988	\$ 53,006	\$ 70,593	\$ 14,739	\$ 221,828

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Nonmajor Governmental Funds
Year Ended December 31, 2011

Tax Increment Financing District No. 4 Bonds Fund	Park and Rec ARCC Bonds Fund	Tax Increment Financing District No. 10 Bonds Fund	Park and Rec Aquatic Center Bonds Fund	Tax Increment Financing District No. 6 Bonds Fund	Public Safety Bonds Fund	Tax Increment Financing District No. 8 Bonds Fund	Tax Increment Financing District No. 11 Bonds Fund	Tax Increment Financing District No. 12 Bonds Fund	Wylie Park Campground Expansion Bonds Fund	Tax Increment Financing District No. 3 Bonds Fund	Cemetery Perpetual Care Fund	Tax Increment Financing District No. 3 Project Fund	Total Nonmajor Governmental Funds
\$ 15,830	\$ -	\$ 15,471	\$ -	\$ 269,056	\$ -	\$ 459,714	\$ 91,765	\$ 58,147	\$ -	\$ 32,360	\$ -	\$ 36,348	\$ 1,418,485
-	-	-	-	-	-	-	-	-	-	-	-	-	22,600
-	-	373	-	130	-	-	507	21	-	51	-	22	876,724
-	-	-	-	-	-	-	-	-	-	-	-	-	1,673
-	-	-	-	-	-	-	-	-	-	-	-	-	1,345,485
-	-	-	-	-	-	-	-	-	-	-	-	-	41,890
-	-	-	-	-	-	-	-	-	-	-	-	-	4,467
-	-	-	-	-	-	-	-	-	-	-	-	-	442,096
-	-	-	-	-	-	-	-	-	-	-	-	-	658,180
-	-	-	-	-	-	-	-	-	-	-	-	-	998
-	-	-	-	-	-	-	-	-	-	-	-	-	289,071
-	-	-	-	-	-	-	-	-	-	-	-	-	18,730
-	-	-	-	-	-	-	-	-	-	-	-	-	1,227
6	2,914	-	5,747	572	9,555	48	-	-	208	-	-	87	28,317
-	-	-	-	-	-	-	-	-	-	-	-	-	5,132
-	-	-	-	-	-	-	-	-	-	-	2,131	-	303,749
-	-	-	-	-	-	-	-	-	-	-	-	-	1,756
<u>15,836</u>	<u>2,914</u>	<u>15,844</u>	<u>5,747</u>	<u>269,758</u>	<u>9,555</u>	<u>459,762</u>	<u>92,272</u>	<u>58,168</u>	<u>208</u>	<u>32,411</u>	<u>2,131</u>	<u>36,457</u>	<u>5,460,580</u>
-	-	-	-	-	-	-	-	-	-	-	-	23,117	474,733
-	-	-	-	-	-	-	-	-	-	-	-	-	2,325,141
-	-	-	-	-	-	-	-	-	-	-	-	-	58,618
-	-	-	-	-	-	-	-	-	-	-	-	-	15,342
-	-	-	-	-	-	-	-	-	-	-	-	23,117	2,873,834
-	-	-	-	-	-	-	-	-	-	-	-	-	360,840
-	-	-	-	-	-	-	-	-	-	-	-	-	462,391
-	-	-	-	-	-	-	-	-	-	-	-	-	10,008
-	-	-	-	-	-	-	-	-	-	-	-	-	3,118
-	-	-	-	-	-	-	-	-	-	-	-	-	836,357
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	1,015,665
-	-	-	-	-	-	-	-	-	-	-	-	-	1,015,665
<u>14,008</u>	<u>302,252</u>	<u>37,202</u>	<u>590,620</u>	<u>269,161</u>	<u>734,268</u>	<u>459,714</u>	<u>84,974</u>	<u>58,168</u>	<u>51,463</u>	<u>151,392</u>	<u>-</u>	<u>-</u>	<u>4,318,532</u>
<u>14,008</u>	<u>302,252</u>	<u>37,202</u>	<u>590,620</u>	<u>269,161</u>	<u>734,268</u>	<u>459,714</u>	<u>84,974</u>	<u>58,168</u>	<u>51,463</u>	<u>151,392</u>	<u>-</u>	<u>23,117</u>	<u>9,044,388</u>
<u>1,828</u>	<u>(299,338)</u>	<u>(21,358)</u>	<u>(584,873)</u>	<u>597</u>	<u>(724,713)</u>	<u>48</u>	<u>7,298</u>	<u>-</u>	<u>(51,255)</u>	<u>(118,981)</u>	<u>2,131</u>	<u>13,340</u>	<u>(3,583,808)</u>
-	258,000	-	585,000	-	740,000	-	-	-	51,000	119,446	-	-	2,333,777
-	(1,701,496)	-	-	-	-	-	-	-	-	-	-	(119,446)	(158,586)
-	1,753,298	-	-	-	-	-	-	-	-	-	-	-	(1,701,496)
-	-	-	-	-	-	-	-	-	-	-	-	-	3,003,298
-	-	-	-	-	-	-	-	-	-	-	-	-	600
-	309,802	-	585,000	-	740,000	-	-	-	51,000	119,446	-	(119,446)	3,477,593
1,828	10,464	(21,358)	127	597	15,287	48	7,298	-	(255)	465	2,131	(106,106)	(106,215)
<u>14,195</u>	<u>272,261</u>	<u>21,358</u>	<u>590,124</u>	<u>34,232</u>	<u>925,890</u>	<u>7,399</u>	<u>-</u>	<u>-</u>	<u>53,855</u>	<u>-</u>	<u>178,307</u>	<u>106,106</u>	<u>3,900,739</u>
<u>\$ 16,023</u>	<u>\$ 282,725</u>	<u>\$ -</u>	<u>\$ 590,251</u>	<u>\$ 34,829</u>	<u>\$ 941,177</u>	<u>\$ 7,447</u>	<u>\$ 7,298</u>	<u>\$ -</u>	<u>\$ 53,600</u>	<u>\$ 465</u>	<u>\$ 180,438</u>	<u>\$ -</u>	<u>\$ 3,794,524</u>

City of Aberdeen
Combining Statement of Net Assets–Nonmajor Enterprise Funds
December 31, 2011

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Campground Fund	Golf Fund	Ambulance Fund	
Assets				
Current Assets				
Cash and cash equivalents	\$ 29,876	\$ 45,309	\$ 182,394	\$ 257,579
115 Accounts receivable, net	-	-	164,382	164,382
Total current assets	<u>29,876</u>	<u>45,309</u>	<u>346,776</u>	<u>421,961</u>
Noncurrent Assets				
Capital assets:				
160 Land	-	350,500	-	350,500
162 Buildings	826,419	185,698	-	1,012,117
164 Improvements other than buildings	730,927	223,778	-	954,705
166 Machinery and equipment	26,850	405,037	838,833	1,270,720
Less accumulated depreciation (credit)	<u>(188,984)</u>	<u>(513,622)</u>	<u>(309,598)</u>	<u>(1,012,204)</u>
Total noncurrent assets	<u>1,395,212</u>	<u>651,391</u>	<u>529,235</u>	<u>2,575,838</u>
	<u>\$ 1,425,088</u>	<u>\$ 696,700</u>	<u>\$ 876,011</u>	<u>\$ 2,997,799</u>
Liabilities				
Current Liabilities				
202 Accounts payable	\$ 5,417	\$ 14,556	\$ 21,547	\$ 41,520
216 Accrued wages payable	9	2,894	16,078	18,981
Total current liabilities	<u>5,426</u>	<u>17,450</u>	<u>37,625</u>	<u>60,501</u>
Noncurrent Liabilities				
233 Accrued leave payable	-	5,060	24,350	29,410
Total noncurrent liabilities	<u>-</u>	<u>5,060</u>	<u>24,350</u>	<u>29,410</u>
Net Assets				
253.10 Invested in capital assets, net of related debt	1,395,212	651,391	529,235	2,575,838
253.90 Unrestricted net assets (deficit)	<u>24,450</u>	<u>22,799</u>	<u>284,801</u>	<u>332,050</u>
Total net assets	<u>1,419,662</u>	<u>674,190</u>	<u>814,036</u>	<u>2,907,888</u>
	<u>\$ 1,425,088</u>	<u>\$ 696,700</u>	<u>\$ 876,011</u>	<u>\$ 2,997,799</u>

City of Aberdeen

Combining Statement of Revenues, Expenses and Changes in Net Assets–Nonmajor Enterprise Funds
Year Ended December 31, 2011

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Campground Fund	Golf Fund	Ambulance Fund	
Operating Revenue				
380 Charges for goods and services	\$ 312,696	\$ 239,870	\$ 780,206	\$ 1,332,772
369 Miscellaneous	-	-	65,440	65,440
Total operating revenue	<u>312,696</u>	<u>239,870</u>	<u>845,646</u>	<u>1,398,212</u>
Operating Expenses				
410 Personal services	68,730	185,968	657,832	912,530
420 Other current expenses	126,592	220,179	306,412	653,183
457 Depreciation	32,011	49,267	70,729	152,007
Total operating expenses	<u>227,333</u>	<u>455,414</u>	<u>1,034,973</u>	<u>1,717,720</u>
Operating Income (Loss)	<u>85,363</u>	<u>(215,544)</u>	<u>(189,327)</u>	<u>(319,508)</u>
Nonoperating Revenue				
330 Operating grants	-	-	58,659	58,659
361 Investment earnings	139	8	29	176
(492) 366 Gain (loss) on disposition of assets	-	4,450	-	4,450
(429) 369.01 Other	-	100	5,000	5,100
Total nonoperating revenue (expense)	<u>139</u>	<u>4,558</u>	<u>63,688</u>	<u>68,385</u>
Income (Loss) Before Contributions, Special Items and Extraordinary Items	85,502	(210,986)	(125,639)	(251,123)
391.1 Transfers in	-	241,842	375,000	616,842
511 Transfers out	(81,380)	(13,980)	(37,320)	(132,680)
Change in Net Assets	4,122	16,876	212,041	233,039
Net Assets - Beginning	<u>1,415,540</u>	<u>657,315</u>	<u>601,995</u>	<u>2,674,850</u>
Net Assets - Ending	<u>\$ 1,419,662</u>	<u>\$ 674,191</u>	<u>\$ 814,037</u>	<u>\$ 2,907,889</u>

City of Aberdeen
Combining Statement of Cash Flows–Nonmajor Enterprise Funds
Year Ended December 31, 2011

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Campground Fund	Golf Fund	Ambulance Fund	
Cash Flows from (used for) Operating Activities				
Receipt from customers	\$ 312,696	\$ 239,870	\$ 790,446	\$ 1,343,012
Payments to suppliers	(74,102)	(154,084)	(304,609)	(532,795)
Payments to employees	(68,721)	(186,073)	(657,664)	(912,458)
Internal activity	-	(63,842)	-	(63,842)
Other receipts (payments)	-	-	65,440	65,440
Net Cash from (used for) Operating Activities	<u>169,873</u>	<u>(164,129)</u>	<u>(106,387)</u>	<u>(100,643)</u>
Cash Flows from (used for) Noncapital Financing Activities				
Transfers from other funds	-	241,842	375,000	616,842
Transfers to other funds	(81,380)	(13,980)	(37,320)	(132,680)
Operating grants	-	-	58,659	58,659
Other noncapital receipts	-	100	5,000	5,100
Net Cash from (used for) Noncapital Financing Activities	<u>(81,380)</u>	<u>227,962</u>	<u>401,339</u>	<u>547,921</u>
Cash Flows from (used for) Capital and Related Financing Activities				
Purchase of capital assets	(76,690)	(58,645)	(162,672)	(298,007)
Net Cash from (used for) Capital and Related Financing Activities	<u>(76,690)</u>	<u>(58,645)</u>	<u>(162,672)</u>	<u>(298,007)</u>
Cash Flows from (used for) Investing Activities				
Interest earnings	139	8	29	176
Net Cash from (used for) Investing Activities	<u>139</u>	<u>8</u>	<u>29</u>	<u>176</u>
Net Increase (Decrease) in Cash and Cash Equivalents	11,942	5,196	132,309	149,447
Balance - Beginning	17,934	40,113	50,086	108,133
Balance - Ending	<u>\$ 29,876</u>	<u>\$ 45,309</u>	<u>\$ 182,395</u>	<u>\$ 257,580</u>
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities:				
Operating income (loss)	\$ 85,364	\$ (215,545)	\$ (189,327)	\$ (319,508)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:				
Depreciation expense	32,011	49,267	70,729	152,007
Changes in assets and liabilities:				
Receivables	118,730	-	10,240	128,970
Accounts and other payables	(66,241)	2,252	1,802	(62,187)
Accrued wages payable	9	528	(296)	241
Accrued leave payable	-	(631)	465	(166)
Net Cash from (used for) Operating Activities	<u>\$ 169,873</u>	<u>\$ (164,129)</u>	<u>\$ (106,387)</u>	<u>\$ (100,643)</u>

City of Aberdeen
Statement of Cash Flows—Discretely Presented Component Unit
Year Ended December 31, 2011

	Housing and Redevelopment Commission
Operating Activities	
Receipts from tenant payments	\$ 450,088
Receipts for management fees and other	569,820
Payments to employees	(567,353)
Housing assistance payments	(1,365,072)
Payments to suppliers and others	(881,459)
Net Cash used for Operating Activities	(1,793,976)
Noncapital Financing Activities	
Donations received	150,000
HUD grants received	2,290,805
Net Cash from Noncapital Financing Activities	2,440,805
Capital and Related Financing Activities	
Purchase of property and equipment	(166,191)
Payments for interest	(97,715)
Principal payments on long-term debt	(73,829)
Net Cash used for Capital and Related Financing Activities	(337,735)
Investing Activities	
Funds issued in exchange for a note receivable	(107,300)
Investment in limited partnership	(198)
Advance to limited partnership	(13,797)
Interest received	87,758
Net Cash used for Investing Activities	(33,537)
Net Change in Cash	275,557
Cash Beginning of Year	3,690,660
Cash End of Year	\$ 3,966,217
Cash Consists of:	
Cash	\$ 783,499
Funded security deposits	35,458
Restricted cash	391,088
Restricted deposits	2,756,172
	\$ 3,966,217

City of Aberdeen
Statement of Cash Flows—Discretely Presented Component Unit
Year Ended December 31, 2011

	<u>Housing and Redevelopment Commission</u>
Reconciliation of Operating Loss to	
Net Cash used for Operating Activities:	
Operating loss	\$ (2,201,892)
Adjustments to reconcile operating loss to	
net cash used for operating activities:	
Depreciation	346,008
Amortization	1,113
Change in assets and liabilities:	
Rental accounts receivable	(2,016)
Other receivables	270,477
Prepaid expenses	(15,072)
Accounts payable and other accrued liabilities	(189,456)
Tenant security deposits	(1,082)
Deferred revenues	(2,056)
	<u>\$ (1,793,976)</u>
Net Cash used for Operating Activities	
Noncash Investing and Financing Transactions	
Note receivables issued for land transfer	\$ 142,700

City of Aberdeen
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2011

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Environmental Protection Agency			
Indirect Federal Funding:			
SD Department of Environment and Natural Resources:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	*****	\$ 1,591,322
Nonpoint Source Implementation Grants	66.460	*****	<u>30,061</u>
Total Environmental Protection Agency			<u>1,621,383</u>
Department of Interior			
Indirect Federal Funding:			
SD Department of Tourism and State Development, Historic Preservation Fund Grants-in-Aid	15.904	SD-10-020	2,376
SD Department of Game, Fish and Parks, Outdoor Recreation - Acquisition, Development and Planning	15.916	*****	<u>25,000</u>
Total Department of Interior			<u>27,376</u>
Department of Transportation			
Direct Federal Funding:			
Airport Improvement Program (3-46-0001-30)	20.106	3-46-0001-30-10	910,354
Airport Improvement Program (3-46-0001-31)	20.106	3-46-0001-31-11	<u>416,173</u>
			<u>1,326,527</u>
Indirect Federal Funding:			
Highway Planning and Construction Cluster			
SD Department of Game, Fish, and Parks: Recreational Trails Program	20.219	*****	60,000
SD Department of Transportation: ARRA - Highway Planning and Construction (Note 3)	20.205	ES OENH (198) PCW 02F2	458
Highway Planning and Construction	20.205	PCN 011Q & 00WJ & P 2209(02), PCN 00CE	<u>1,649,719</u>
			<u>1,710,177</u>
Indirect Federal Funding:			
SD Department of Public Safety:			
State and Community Highway Safety	20.600	*****	7,017
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	*****	2,398
SD Department of Transportation:			
Federal Transit - Capital Investment Grants (Section 5309)	20.500	811019	18,588
Formula Grants for Other Than Urbanized Areas (Section 5311 & RTAP)	20.509	811075-811122-811123-RTAP	<u>194,960</u>
			<u>222,963</u>
Total Department of Transportation			<u>3,259,667</u>
Department of Health and Human Services:			
Indirect Federal Funding:			
SD Department of Transportation: Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	811075-811122-811123	<u>12,631</u>
General Services Administration:			
Indirect Federal Funding:			
SD Federal Property Agency: Donation of Federal Surplus Personal Property (Note 2)	39.003	*****	<u>16,838</u>
National Endowment for the Arts:			
Indirect Federal Funding:			
SD Arts Council: Promotion of the Arts - Partnership Agreements	45.025	*****	<u>11,600</u>
Department of Agriculture:			
Indirect Federal Funding:			
SD Department of Agriculture: Cooperative Forestry Assistance	10.664	2011-UCF-009	<u>1,256</u>
Department of Energy:			
Direct Federal Funding:			
ARRA - Energy Efficiency & Conservation Block Grant Program (EECBG)	81.128	DE-RW0000208	<u>48,593</u>

City of Aberdeen
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2011

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Department of Homeland Security:			
Direct Federal Funding:			
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0208HSLR001	24,368
Indirect Federal Funding:			
SD Department of Public Safety:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-08SD-1915-PW-02348(0)	50,933
Homeland Security Grant Program	97.067	*****	146,833
			<u>222,134</u>
Total Department of Homeland Security			
Department of Justice:			
Direct Federal Funding:			
Bulletproof Vest Partnership Program	16.607	*****	343
ARRA - Public Safety Partnership and Community Policing Grants	16.710	2009-RK-WX-0782	85,101
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	2009-SB-B9-0869	5,008
Indirect Federal Funding:			
SD Department of Public Safety:			
Enforcing Underage Drinking Laws Program	16.727	*****	15,481
SD Attorney General			
Missing Children's Assistance	16.543	2010-MC-CX-K023	5,739
			<u>111,672</u>
Total Department of Justice			
Total Expenditures of Federal Awards			<u>\$ 5,333,150</u>
***** "No" Pass-Through Entity Identifying Number Given			

Note 1 This schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the full accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Note 2 The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the City.

Note 3 Of the federal expenditures presented in the above schedule, the City provided federal awards to subrecipients as follows:

CFDA Number 20.205 – ARRA - Highway Planning and Construction - \$458

Financial Statement Findings

None in prior year.

Federal Award Program Findings

Finding 2010-1 Special Tests and Provisions – Separate Accountability for ARRA Funding and Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form

Environmental Protection Agency

**Pass-Through Entity – South Dakota Department of Environment and National Resources
ARRA – Capitalization Grants for Drinking Water State Revolving Funds – CFDA #66.468 – Grant
Period – Year Ending December 31, 2010.**

Condition: The internal control structure did not identify that the schedule of federal awards drafted by management did not separately account for or identify ARRA funding as it relates to this federal program.

Status: As of December 31, 2011 the finding has been resolved.

Finding 2010-2 Suspension/Debarment

Department of Transportation

**Pass-Through Entity – South Dakota Department of Game, Fish, and Parks
Recreational Trails Program – CFDA #20.219 – Grant Period – Year Ending December 31, 2010**

Condition: The City did not perform a search to determine if the contractor awarded the bid for work under this grant program was considered suspended or debarred. Alternatively, the City also did not have the contractor sign a certification that they were not suspended or debarred.

Status: As of December 31, 2011 the finding has been resolved.

Finding 2010-3 Subrecipient Monitoring

Department of Transportation

**Pass-Through Entity – South Dakota Department of Game, Fish, and Parks
ARRA – Highway Planning and Construction – CFDA #20.205 – Grant Period – Year Ending
December 31, 2010**

Condition: The City did not notify the subrecipient of the requirement to obtain a DUNS number and did not perform a check to see if the subrecipient had already obtained this number.

Status: As of December 31, 2011, this finding has been resolved.

Finding 2009-4 and 2010-4 Program Income

Department of Transportation

Pass-Through-Entity – South Dakota Department of Transportation

Formula Grants for other than Urbanized Areas – CFDA #20.509; Grant Period – Grant Years Ending September 30, 2010 and 2011

Condition: During the calendar year ended December 31, 2010, the internal control structure of the program did not identify that after hour fare income collected by the City should be included in the monthly reports that were submitted to the South Dakota Department of Transportation.

Status: As of December 31, 2011, this finding has been resolved. However, for the period January - September 2011, the after hour fare income was not included in the monthly reports. Beginning in October 2011, the City started to report this income correctly. As such, this will be reported as finding 2011-2 for the year ended 2011.



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*

The City Council
City of Aberdeen
Aberdeen, South Dakota

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Aberdeen, South Dakota, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Aberdeen, South Dakota is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questions costs as finding 2011-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, others within the entity, City Council, the South Dakota Department of Legislative Audit, 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. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Aberdeen, South Dakota
August 27, 2012



Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The City Council
City of Aberdeen
Aberdeen, South Dakota

Compliance

We have audited the compliance of the City of Aberdeen, South Dakota, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of significant deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control as described in the accompanying schedule of findings and questioned costs as findings 2011-2 and 2011-3 to be material weaknesses.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, others within the entity, City Council, the South Dakota Department of Legislative Audit, 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. As required by South Dakota Codified law 4-11-11, this report is a matter of public record and its distribution is not limited.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
August 27, 2012

Part I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? x yes none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? x yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes x none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? x yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
20.509	Formula Grants for Other Than Urbanized Areas

Dollar threshold used to distinguish between type A and type B programs? \$ 300,000

Auditee qualified as low-risk auditee? yes x no

Part II – Findings Relating to the Financial Statements

Significant Deficiency

2011-1 Financial Statement Adjustments

Condition: During the audit, we identified certain items during our audit procedures that required adjustments to the financial statements, disclosures and the schedule of expenditures of federal awards.

Criteria: A system of internal accounting control contemplates accurate recording and presentation of amounts and disclosures in the financial statements in accordance with generally accepted accounting principles.

Cause: The City refunded two bond issues during the year which requires gross presentation in the fund financial statements for proceeds received, payments made to retire the debt and payments made to the debt refunding agent, as applicable, and certain required disclosures relating to the refunding. Bond refunding transactions do not occur frequently at the City. In addition, an adjustment was proposed to the financial statements relating to the implementation of GASB Statement 54 during 2011, including additional disclosures in the notes.

Effect: The control deficiency could result in a misstatement to the financial statements that would not be prevented or detected and corrected and could affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation: We recommend the City specifically review transactions that occur infrequently to ensure accounting treatment and related disclosures are in accordance with generally accepted accounting principles.

Management Response: The City of Aberdeen makes every attempt to include all material amounts and disclosures in its financial statements and related notes. We will review our current procedures to determine whether additional procedures are necessary when encountering infrequent transaction types and new accounting standard implementation.

Part III - Findings and Questioned Costs for Federal Award Programs

Material Weakness

Finding 2011-2 Program Income/Reporting

Department of Transportation

Pass-Through Entity – South Dakota Department of Transportation

Formula Grants for other than Urbanized Areas – CFDA #20.509; Grant Period – Grant Years Ending September 30, 2011 and 2012

Criteria: Section 7 of the grant agreement with the South Dakota Department of Transportation requires that the City submit reports related to the program as the State requires. Included in the format required by the State is a factor that before the monthly reimbursement for operational expenses is calculated, total fares, sponsorships, and contract income collected by the program (program income) are to be first deducted from the total operational expenses for that month.

Condition: For the months January – September 2011, the internal control structure of the program did not identify that after hour fare income collected by the City should be included in the monthly reports that were submitted to the South Dakota Department of Transportation.

Effect: There is potential that incorrect amounts could get reported on the monthly reports, resulting in over or under payment from the State.

Cause: This error was caused by the City not including after hour fares in the program income portion of the monthly report, which was not detected when the report was reviewed.

Recommendation: We recommend that management ensure that all income sources which would be considered program income are included in the monthly reports submitted to the South Dakota Department of Transportation.

Management Response: The City will implement controls to reconcile program income deposits on the accounting system to reports submitted to the State to ensure all income sources are included in the monthly reports. Beginning in October 2011, the City started to report this correctly and as of December 31, 2011, this finding has been resolved.

Material Weakness

Finding 2011-3 Allowable Costs/Reporting

Department of Transportation

Pass-Through Entity – South Dakota Department of Transportation

Formula Grants for other than Urbanized Areas – CFDA #20.509; Grant Period – Grant Years Ending September 30, 2011 and 2012

Criteria: Section 7 of the grant agreement with the South Dakota Department of Transportation requires that the City submit reports related to the program as the State requires and Section 4 of the grant agreement requires that these reports reflect eligible costs determined in compliance with U.S. Office of Management and Budget Circular A-102.

Condition: During the year ended December 31, 2011, the internal control structure of the program had two different errors related to payroll being improperly recorded as well as one month's fuel expense being incorrectly reported on the monthly form submitted to the State. Specifically for payroll, a social security error was made for the entire year in which the employee portion was used instead of the appropriate employer's portion. The second payroll error relates to an employee's wages related to another department being incorrectly expensed as part of this grant on the monthly reimbursement reports.

Effect: There is potential that incorrect amounts could get reported on the monthly reports, resulting in over or under payment from the State.

Cause: These exceptions were caused by errors in transferring payroll information and management not detecting the errors when reviewing and approving the monthly reimbursement reports.

Recommendation: We recommend that management ensure that all allowable program expenditures are properly included on the monthly reports submitted to the South Dakota Department of Transportation.

Management Response: The City will implement controls to ensure all monthly reports are appropriately reviewed and all items are properly recorded before they are submitted to the South Dakota Department of Transportation for reimbursement.



CITY OF ABERDEEN

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(605) 626-7044

HUMAN RESOURCES
(605) 626-7013
FAX (605) 626-7042

Corrective Action Plan (Unaudited)

Cognizant or Oversight Agency for Audit

The City of Aberdeen respectfully submits the following corrective action plan for the year ended December 31, 2011.

Name and address of independent public accounting firm: Eide Bailly LLP
24 Second Avenue SW
PO Box 430
Aberdeen, SD 57402-0430

Audit Period: January 1, 2011 to December 31, 2011

The findings from the 2011 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Findings - Financial Statement Audit

Part II – Findings Relating to the Financial Statements

Significant Deficiency

2011-1 Financial Statement Adjustments

Condition: During the audit, we identified certain items during our audit procedures that required adjustments to the financial statements, disclosures and the schedule of expenditures of federal awards.

Recommendation: We recommend the City specifically review transactions that occur infrequently to ensure accounting treatment and related disclosures are in accordance with generally accepted accounting principles.

Management Response: The City of Aberdeen makes every attempt to include all material amounts and disclosures in its financial statements and related notes. We will review our current procedures to determine whether additional procedures are necessary when encountering infrequent transaction types and new accounting standard implementation.

Findings - Federal Award Programs

Finding 2011-2 Program Income/Reporting

Department of Transportation

Pass-Through Entity – South Dakota Department of Transportation

Formula Grants for other than Urbanized Areas – CFDA #20.509; Grant Period – Grant Years Ending September 30, 2011 and 2012

Condition: For the months January – September 2011, the internal control structure of the program did not identify that after hour fare income collected by the City should be included in the monthly reports that were submitted to the South Dakota Department of Transportation.

Recommendation: We recommend that management ensure that all income sources which would be considered program income are included in the monthly reports submitted to the South Dakota Department of Transportation.

Management Response: The City will implement controls to reconcile program income deposits on the accounting system to reports submitted to the State to ensure all income sources are included in the monthly reports. Beginning in October 2011, the City started to report this correctly and as of December 31, 2011, this finding has been resolved.

Contact Person: Karl Alberts

Anticipated Completion Date: December 31, 2012

Finding 2011-3 Allowable Costs/Reporting

Department of Transportation

Pass-Through Entity – South Dakota Department of Transportation

Formula Grants for other than Urbanized Areas – CFDA #20.509; Grant Period – Grant Years Ending September 30, 2011 and 2012

Condition: During the year ended December 31, 2011, the internal control structure of the program had a couple of errors related to payroll being improperly recorded as well as one month's fuel expense being incorrectly reported on the monthly form submitted to the State. Specifically for payroll, a social security error was made for the entire year in which the employee portion was used instead of the appropriate employer's portion. The second payroll error relates to an employee's wages related to another department being incorrectly expensed as part of this grant on the monthly reimbursement reports.

Recommendation: We recommend that management ensure that all allowable program expenditures are properly included on the monthly reports submitted to the South Dakota Department of Transportation.

Management Response: The City will implement controls to ensure all monthly reports are appropriately reviewed and all items are properly recorded before they are submitted to the South Dakota Department of Transportation for reimbursement.

Contact Person: Karl Alberts

Anticipated Completion Date: December 31, 2012

If there are questions regarding this plan, please call Karl Alberts at (605) 626-7034 or address any correspondence to the above address. Thank you.

Sincerely,

A handwritten signature in black ink that reads "Karl Alberts". The signature is written in a cursive style with a long horizontal stroke at the end.

Karl Alberts, CPA Inactive
Finance Officer