



Financial Statements
December 31, 2014
City of Aberdeen

City Council

Expires

Mayor.....	Mike Levsen.....	2019
NE District Council Member	Mark Remily	2017
NE District Council Member	Rob Ronayne	2018
NW District Council Member.....	Todd Campbell.....	2017
NW District Council Member.....	Jennifer Slight-Hansen.....	2019
SE District Council Member.....	Clint Rux	2017
SE District Council Member.....	Laure Swanson.....	2015
SW District Council Member	David Bunsness	2015
SW District Council Member	Alan Johnson	2018

Appointive Officers

City Manager	Lynn A. Lander
Finance Officer	Karl M. Alberts
Deputy Finance Officer.....	Jordan C. McQuillen
Human Resource Director.....	Alan D. Ruhlman
City Attorney	Ronald A. Wager
City Engineer/Public Works Director	Robin J. Bobzien
Public Works Assistant Director.....	Clarence J. Fjeldheim
Assistant City Engineer.....	Stuart A. Nelson
Transportation Director.....	Cody M. Roggatz
Police Chief.....	David M. McNeil
Police Captain	Jay F. Tobin
Police Captain	Eric J. Duven
Fire Chief	Kevin L. VanMeter
Battalion Chief	J.R. Huebner
Battalion Chief	Randy D. Meister
Battalion Chief	Stacy J. Vrchota
Fire Marshal.....	Michael J. Thompson
Planning & Zoning Director	Brett E. Bill
Wastewater Treatment Superintendent	Peggi L. Badten
Wastewater Pretreatment Coordinator	Amanda J. Kraft
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.....	Charles R. Kornman
Cemetery Sexton.....	Kathie A. Allstot
Library Director	Shirley M. Arment
Mayor/City Manager/City Attorney's Secretary.....	Marie I. DeGroot

Governing Boards

Parks and Recreation Board (5 Years)

Expires

Susan Bostian, President	2017
Matt Prehn	2016
Brenda Stapp	2015
Paul Fauth	2015
Art Russo	2019
Jerry Mills	2018
Sheryl Erickson	2016
Todd Campbell, City Council Member	

Mike Levsen, Mayor

Airport Board (5 Years)

Expires

Mike Erickson, Chairperson	2015
Tom Black	2016
Karl Perry	2019
Rolf Johnson	2018
Lonald Gellhause	2017
Alan Johnson, City Council Member	
Mike Wiese, County Commissioner	

Library Board (3 Years)

Expires

Maeve King, President	2017
Dr. Peter Ramey	2016
Tom Guhin	2016
Troy McQuillen	2017
Sandy Andera	2015
Clint Rux, City Council Member	

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Independent Auditor's Report

The City Council
City of Aberdeen
Aberdeen, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Aberdeen, South Dakota as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As described in Note 16 to the financial statements, a certain error resulting in understatement of amounts previously reported for capital assets and an overstatement of expenses in prior periods, was discovered by management of the City during the current year. Accordingly, an adjustment has been made to the beginning net position of the sewer fund and business-type activities as of January 1, 2014, to correct the error. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 16 and 60 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively compromise the City of Aberdeen, South Dakota's financial statements. The combining 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 financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining nonmajor fund financial statements, the discretely presented component unit's statement of cash flows, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, discretely presented component unit's statement of cash flows, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 19, 2015 on our consideration of City of Aberdeen's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering City of Aberdeen's internal control over financial reporting and compliance.

Eide Sallee LLP

Aberdeen, South Dakota
August 19, 2015

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, 2014. 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 \$135.556 million (reported as net position), an increase of \$7.934 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 \$12.797 million, with \$3,418,564 reported as unassigned, \$1,059,652 reported as assigned, \$148,189 reported as committed, \$7,820,504 reported as restricted, and the remaining amount of \$350,486 reported as nonspendable. At the end of the fiscal year, the fund balance for the General Fund was \$3,735,656, of which \$3,418,564 was unassigned, \$27,380 was assigned only to be used to fund fiscal year 2015 appropriations, and \$289,712 was reported as nonspendable.

Proprietary funds reported a total net position at year-end of \$41.702 million, a decrease of approximately \$989,000 during the year.

Long-Term Debt

The primary government's total long-term outstanding loans and bonded debt totaled \$56.755 million, an increase of \$3.219 million from the previous year. Of the total outstanding loans and bonded debt, \$47.757 million is backed by the City. During 2014, the City issued Tax Increment Financing (TIF) bonds for the TIF #19 (HAPI) project in the amount of \$1,935,200, Series 2014A Sales Tax Revenue Bonds (City Hall Remodel) in the amount of \$3,940,000, and Series 2014B Sales Tax Revenue Bonds (Old Federal Building) in the amount of \$1,140,000. The decrease represents principal payments of \$1,965,925 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 is 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. The City discovered an error affecting capital assets in the wastewater fund and has adjusted beginning fund balance of the fund as of January 1, 2014, to correct the error (see Note 16).

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

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

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 Position

As presented in the following table, total assets and deferred outflows of the City on December 31, 2014 were \$196.263 million, while total liabilities were \$60.706 million, resulting in combined net position (governmental and business-type activities) of \$135.556 million.

	City of Aberdeen Net Position					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013 Restated	2014	2013 Restated
Current and Other Assets	\$ 19,001,197	\$ 11,698,174	\$ 11,588,028	\$ 13,963,368	\$ 30,589,225	\$ 25,661,542
Capital Assets	106,968,439	99,715,464	58,173,668	59,427,700	165,142,107	159,143,164
Total Assets	125,969,636	111,413,638	69,761,696	73,391,068	195,731,332	184,804,706
Deferred Outflows of Resources	531,373	580,049	-	-	531,373	580,049
	126,501,009	111,993,687	69,761,696	73,391,068	196,262,705	185,384,755
Long-Term Liabilities Outstanding	29,265,323	24,182,459	27,490,052	29,354,389	56,755,375	53,536,848
Other Liabilities	3,381,393	2,879,429	569,508	532,906	3,950,901	3,412,335
Total Liabilities	32,646,716	27,061,888	28,059,560	29,887,295	60,706,276	56,949,183
Deferred Inflows of Resources	-	-	-	-	-	-
	32,646,716	27,061,888	28,059,560	29,887,295	60,706,276	56,949,183
Net Position:						
Net Investment in Capital Assets	86,877,156	85,374,335	32,681,278	30,073,311	119,558,434	115,447,646
Restricted	5,429,583	4,811,537	1,538,683	1,417,522	6,968,266	6,229,059
Unrestricted	1,547,554	(5,254,073)	7,482,175	12,012,940	9,029,730	6,758,867
Total Net Position	\$93,854,293	\$84,931,799	\$41,702,136	\$43,503,773	\$135,556,429	\$128,435,572

The largest component of the City's net position, 88.2% (down from 90% in 2013), 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 5.1% (an increase from 4.8% in 2013) 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, \$9.030 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 2015 appropriations in the General Fund (\$27,380).

Changes in Net Position

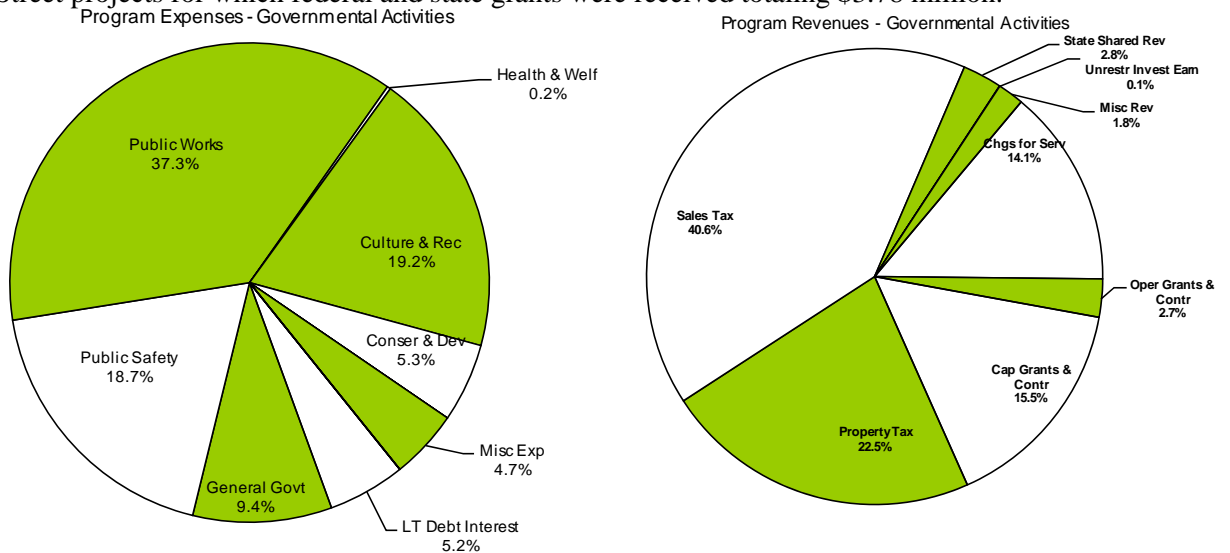
The following table summarizes financial information derived from the government-wide statement of activities and reflects how the City's net position changed during fiscal years 2014 and 2013.

City of Aberdeen						
Changes in Net Position						
Fiscal Year Ended December 31						
	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2014	2013	2014	2013 Restated	2014	2013 Restated
Revenues:						
Program Revenues:						
Charges for Services	\$ 6,143,198	\$ 5,907,649	\$ 9,512,531	\$ 10,306,948	\$ 15,655,729	\$ 16,214,597
Operating Grants and Contributions	1,179,833	1,001,413	-	24,023	1,179,833	1,025,436
Capital Grants and Contributions	6,757,943	609,087	164,650	302,885	6,922,593	911,972
General Revenues:						
Property Taxes	9,827,934	8,942,280	-	-	9,827,934	8,942,280
Sales Taxes	17,742,266	17,653,763	-	-	17,742,266	17,653,763
State Shared Revenues	1,217,474	993,884			1,217,474	993,884
Unrestricted Investment Earnings	13,022	28,476	20,774	11,464	33,796	39,940
Miscellaneous	807,213	621,927	171,573	8,990	978,786	630,917
Total Revenues	43,688,883	35,758,479	9,869,528	10,654,310	53,558,411	46,412,789
Program Expenses:						
General Government	3,447,436	3,689,592	-	-	3,447,436	3,689,592
Public Safety	6,879,152	7,628,648	-	-	6,879,152	7,628,648
Public Works	13,720,121	11,885,704	-	-	13,720,121	11,885,704
Health and Welfare	85,408	71,146	-	-	85,408	71,146
Cultural and Recreation	7,080,739	6,823,851	-	-	7,080,739	6,823,851
Conservation and Development	1,959,385	4,186,492	-	-	1,959,385	4,186,492
Miscellaneous Expenditures	1,719,744	2,295,393	-	-	1,719,744	2,295,393
Interest on Long-term Debt	1,922,431	1,479,016	-	-	1,922,431	1,479,016
Water	-	-	4,515,820	4,303,788	4,515,820	4,303,788
Sewer	-	-	3,066,279	3,248,812	3,066,279	3,248,812
Old Federal Building	-	-	150,197	12,529	150,197	12,529
Campground	-	-	244,834	335,014	244,834	335,014
Golf	-	-	558,898	553,398	558,898	553,398
Ambulance	-	-	1,087,110	1,021,234	1,087,110	1,021,234
Total Expenses	36,814,416	38,059,842	9,623,138	9,474,775	46,437,554	47,534,617
Excess (Deficiency) Before Transfers	6,874,467	(2,301,363)	246,390	1,179,535	7,120,857	(1,121,828)
Transfers	2,048,027	(391,685)	(2,048,027)	391,685	-	-
Change in Net Position	8,922,494	(2,693,048)	(1,801,637)	1,571,220	7,120,857	(1,121,828)
Net Position – Beginning	84,931,799	87,624,847	43,503,773	41,932,553	128,435,572	129,557,400
Net Position – Ending	\$93,854,293	\$84,931,799	\$41,702,136	\$43,503,773	\$135,556,429	\$128,435,572

Governmental Activities

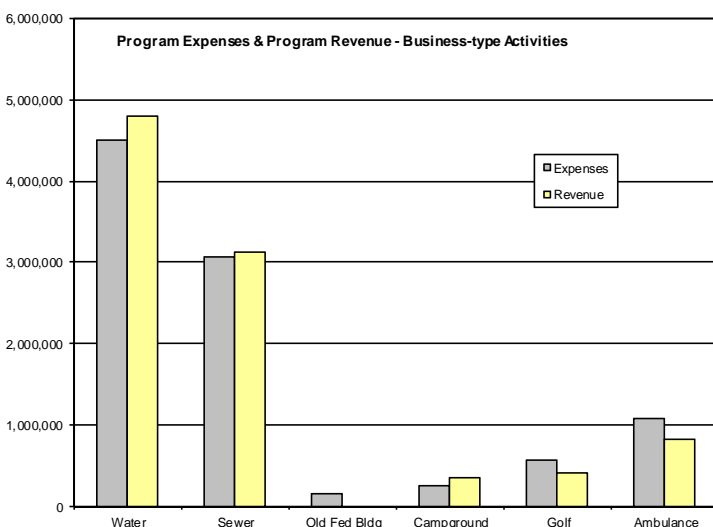
Governmental activities increased the City's net position by \$8,922,494. Factors contributing to these results include:

- Airport projects for which federal and state grants were received totaling \$2.178 million, and
- Street projects for which federal and state grants were received totaling \$3.78 million.

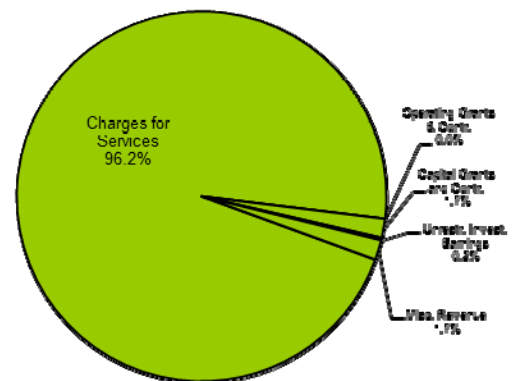


Business-Type Activities

Net position of the business-type activities decreased by \$1,801,637 during 2014, as compared to a \$1,571,220 increase in 2013 (as restated). Factors contributing to these results include lower water and wastewater charges due to the closure of Northern Beef Packers (approximately \$280,000), and transfer of state revolving loan funds from the Wastewater Fund to the Special Sales Tax Fund from a 2013 project (\$1,500,000).



Revenues by Source - Business-Type Activities



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 2014, the City's governmental funds reported combined ending fund balances of \$12.797 million, an increase of approximately \$5.815 million in comparison with the prior year.

Approximately 2.74%, or \$350,486 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 61.11%, or \$7,820,504 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 1.16%, or \$148,189 of the combined ending fund balances, is reported as committed to indicate that it is intended to be used for specific purposes as legislated by the City Council.

Approximately 8.28%, or \$1,059,652 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. \$27,380 of this amount is assigned to be used only for 2015 appropriations.

The remaining 26.71%, or \$3,418,564 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 2014 were the General Fund, the Special Sales Tax Fund, and the Park and Recreation 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 \$3.446 million, of which \$27,380 was assigned only to be used to fund 2015 appropriations. Total fund balance at the end of the current fiscal year was \$3.736 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 22.06% (10.1% in 2013) of the total General Fund operating expenditures.

Overall, the fund balance of the City's General Fund increased by \$1,700,164 (From Exh. IV) during the current fiscal year. This is over an 83.5% increase from the prior year's ending fund balance. The increase primarily resulted from higher than expected federal grants (approximately \$117,000), highway/bridge funds (approximately \$89,000) and rental income (approximately \$77,000) and lower than expected spending in General Government (approximately \$576,000), Public Safety (approximately \$476,000), Public Works (approximately \$337,000) and Culture/Recreation (approximately \$110,000) offset by lower than expected sales tax revenue (approximately \$137,000).

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, committed fund balance of the Special Sales Tax Fund was \$148,189. Total fund balance at the end of the current fiscal year was also \$148,189.

Overall, the fund balance of the City's Special Sales Tax Fund increased by \$9,045 during the current fiscal year. This is an 6.5% increase in fund balance from the prior year. The decrease primarily resulted from higher than anticipated federal grants (\$780,000) and transfers from other funds (\$1,000,000), offset by higher than anticipated project completions (approximately \$1,700,000).

The Park and Recreation 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 Park and Recreation Fund was \$176,293. Total fund balance at the end of the current fiscal year was also \$176,293.

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 position during fiscal year 2014:

Water Fund

At the end of fiscal year 2014, the Water Fund reported total net position of \$19.654 million, an increase of \$29,242 (0.15%) in comparison with the prior year. During 2014, the Water Fund produced an operating income (before contributions and operating transfers) in the amount of \$446,909 on total operating revenue of \$4.952 million, compared to the previous fiscal year's operating income (before contributions and operating transfers) in the amount of \$1,368,122 on total operating revenue of \$5.372 million. The increase in total net position was largely the result of increased water consumption due to unusually dry summer conditions.

Sewer Fund

At the end of fiscal year 2014, the Sewer Fund reported total net position of \$20.357 million (after an adjustment for an error correction, an increase of \$812,748), a decrease of \$1,877,252 (9.2%) in comparison with the prior year. During 2014, the Sewer Fund produced operating income (before contributions and operating transfers) in the amount of \$97,560 on total operating revenue of \$3.153 million, compared to the previous fiscal year's operating income (before contributions and operating transfers) in the amount of \$546,913 on total operating revenue of \$3.408 million. The decrease in total net position was largely the result of a transfer of \$1.5 million to the Special Sales Tax Fund and lower sewer usage.

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 \$404,000 (or 2.35%) of increases in appropriations and can be summarized as follows:

- \$19,800 in supplemental appropriations to General Government for 1) insurance costs, 2) salaries in City Manager Department, 3) water consumption costs, 4) Retail Model consultant costs, and custodial costs.
- \$169,500 in supplemental appropriations to Public Safety for 1) Fire Department training and equipment reimbursed by grants and water consumption, 2) Police water consumption, National Night Out and DARE expenses and a new police vehicle.
- \$179,700 in supplemental appropriations to Public Works departments for 1) personal services, 2) water consumption expenses, 3) purchase of a new skid steer, 4) additional street lighting expense, 5) snow removal, and 6) motor supplies.
- \$5,000 in supplemental appropriations to Culture and Recreation departments for water consumption at the Library.
- \$15,000 in supplemental appropriations to Economic Development relating to TIF #14 project costs.
- \$15,000 in supplemental appropriations to Economic Development relating to TIF #15 project costs.

Actual spending was less than the original budget for General Fund total operating expenditures by \$1,568,853 and was less than the final amended budget by over \$1.972 million.

Overall, there were no over-expenditures 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, 2014 is \$165.142 million (net of accumulated depreciation) as compared to \$159.140 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	
	2014	2013	2014	2013 Restated	2014	2013 Restated
Land	\$ 9,643,985	\$ 9,443,303	\$ 822,646	\$ 822,646	\$ 10,466,631	\$ 10,265,949
Buildings	38,287,254	35,293,269	62,645,452	62,544,804	100,932,706	97,838,073
Improvements other than Buildings	107,884,053	103,710,619	26,390,577	26,172,753	134,274,630	129,883,372
Equipment/Vehicles	17,537,696	15,996,310	7,612,133	7,341,758	25,149,829	23,338,068
Construction in Progress	2,425,969	101,204	-	-	2,425,969	101,204
Total Capital Assets	<u>175,778,957</u>	<u>164,544,705</u>	<u>97,470,808</u>	<u>96,881,961</u>	<u>273,249,765</u>	<u>261,426,666</u>
Accumulated Depreciation	<u>68,810,518</u>	<u>64,829,241</u>	<u>39,297,140</u>	<u>37,454,261</u>	<u>108,107,658</u>	<u>102,283,502</u>
Total Capital Assets, Net	<u>\$106,968,439</u>	<u>\$99,715,464</u>	<u>\$58,173,668</u>	<u>\$59,427,700</u>	<u>\$165,142,107</u>	<u>\$159,143,164</u>

The City's investment in capital assets (net of accumulated depreciation) changed from fiscal year 2014 to 2013 by 3.77%. Governmental capital projects completed during 2014 include a new fire truck at a total cost of \$447,403, a new loader at a total cost of \$197,210, a new garbage truck at a total cost of \$166,279, improvements to City Hall parking lot at a total cost of \$150,861, street improvements at a total cost of about \$2,720,357, a new airport fire truck at a total cost of \$559,991, City Hall renovations at a cost of \$3,118,734, new park trails at a cost of \$473,366, and storm sewer mains at a total cost of \$1,089,490. The governmental Construction in Progress includes \$2,425,969 for Airport Wetland Project. Business-type capital projects completed during 2014 include a new sewer line jetter at a total cost of about \$379,450.

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 2014, general-purpose debt limitation for the City is \$79,465,298, which is \$40,027,630 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 \$29,265,323 and business-type activities had total note and bonded debt outstanding of \$27,490,048. During the current fiscal year, the City incurred an increase of \$3,940,000 in sales tax revenue bonds associated with the City Hall remodel project, \$1,140,000 in sales tax revenue bonds associated with the purchase and renovation of the Old Federal Building and \$1,935,200 associated with Tax Increment Financing district #19 under governmental activities. The City incurred no additional debt under business-type activities. The City retired \$3,837,272 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, Old Federal Building bonds, 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 general sales tax revenue increased in 2011, 2012, 2013, and 2014 by about 2.1%, 7.57%, 3.2%, and 0.1% respectively. Aberdeen's growth in property tax valuation due to new construction and changes to existing property has consistently averaged between 2.5 - 3% annually, with growth of 3.83% in 2013 and 1.99% in 2014.

Future Construction Activity

During 2014, the City continues 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 component. 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) 626-7027.

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 Position—Exhibit I
December 31, 2014

	Primary Government		Total	Component Unit Housing and Redevelopment Commission
	Governmental Activities	Business-Type Activities		
Assets				
Cash and cash equivalents	\$ 12,466,458	\$ 4,016,517	\$ 16,482,975	\$ 1,079,145
Investments	1,000,000	6,400,000	7,400,000	-
Accounts receivable, net	5,234,253	701,532	5,935,785	739,897
Inventories	10,774	469,979	480,753	-
Other assets	-	-	-	213,492
Restricted assets:				
Deposits	289,712	-	289,712	1,374,674
Capital assets:				
Land, improvements, and construction in progress	12,069,954	822,646	12,892,600	1,097,729
Other capital assets, net of depreciation	94,898,485	57,351,022	152,249,507	17,353,630
	<u>125,969,636</u>	<u>69,761,696</u>	<u>195,731,332</u>	<u>21,858,567</u>
Deferred Outflows of Resources				
Other deferred outflows of resources	531,373	-	531,373	-
	<u>\$ 126,501,009</u>	<u>\$ 69,761,696</u>	<u>\$ 196,262,705</u>	<u>\$ 21,858,567</u>
Liabilities				
Accounts payable	\$ 2,378,864	\$ 337,155	\$ 2,716,019	\$ 67,280
Other current liabilities	987,219	215,028	1,202,247	193,508
Unearned revenue	15,310	17,325	32,635	5,561
Noncurrent liabilities:				
Due within one year	2,596,760	2,078,855	4,675,615	227,838
Due in more than one year	26,668,563	25,411,197	52,079,760	5,815,858
Total liabilities	<u>32,646,716</u>	<u>28,059,560</u>	<u>60,706,276</u>	<u>6,310,045</u>
Net Position				
Net investment in capital assets	86,877,156	32,681,278	119,558,434	12,886,324
Restricted for:				
Debt service	3,068,090	1,538,683	4,606,773	-
Perpetual care:				
Expendable	139,075	-	139,075	-
Nonexpendable	50,000	-	50,000	-
Other purposes	491,669	-	491,669	-
Other purposes - Promotion Fund	125,276	-	125,276	-
Other purposes - Park and Recreation Fund	176,293	-	176,293	-
Other purposes - Park and Recreation Trust Fund	829,698	-	829,698	-
Other purposes - Parking District Fund	259,770	-	259,770	-
Other purposes - General Fund - SD Public Assurance Alliance	289,712	-	289,712	-
Other purposes - component unit	-	-	-	1,202,016
Unrestricted	1,547,554	7,482,175	9,029,729	1,460,182
Total net position	<u>93,854,293</u>	<u>41,702,136</u>	<u>135,556,429</u>	<u>15,548,522</u>
	<u>\$ 126,501,009</u>	<u>\$ 69,761,696</u>	<u>\$ 196,262,705</u>	<u>\$ 21,858,567</u>

City of Aberdeen
Statement of Activities–Exhibit II
Year Ended December 31, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			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	\$ 3,447,436	\$ 456,202	\$ -	\$ -	\$ (2,991,234)	\$ -	\$ (2,991,234)	\$ -
Public safety	6,879,152	126,908	204,031	-	(6,548,213)	-	(6,548,213)	-
Public works	13,720,121	1,931,433	470,451	6,727,943	(4,590,294)	-	(4,590,294)	-
Health and welfare	85,408	15,460	-	-	(69,948)	-	(69,948)	-
Culture and recreation	7,080,739	1,337,032	505,351	30,000	(5,208,356)	-	(5,208,356)	-
Conservation and development	1,959,385	-	-	-	(1,959,385)	-	(1,959,385)	-
Miscellaneous expenditures	1,719,744	2,276,163	-	-	556,419	-	556,419	-
Interest and bond issuance costs on long-term debt	1,922,431	-	-	-	(1,922,431)	-	(1,922,431)	-
Total governmental activities	<u>36,814,416</u>	<u>6,143,198</u>	<u>1,179,833</u>	<u>6,757,943</u>	<u>(22,733,442)</u>	<u>-</u>	<u>(22,733,442)</u>	<u>-</u>
Business-type activities:								
Water	4,515,820	4,808,630	-	85,540	-	378,350	378,350	-
Sewer	3,066,279	3,126,888	-	79,110	-	139,719	139,719	-
Old Federal Building	150,197	-	-	-	-	(150,197)	(150,197)	-
Campground	244,834	354,518	-	-	-	109,684	109,684	-
Golf	558,898	403,106	-	-	-	(155,792)	(155,792)	-
Ambulance	1,087,110	819,389	-	-	-	(267,721)	(267,721)	-
Total business-type activities	<u>9,623,138</u>	<u>9,512,531</u>	<u>-</u>	<u>164,650</u>	<u>-</u>	<u>54,043</u>	<u>54,043</u>	<u>-</u>
Total primary government	<u>\$ 46,437,554</u>	<u>\$ 15,655,729</u>	<u>\$ 1,179,833</u>	<u>\$ 6,922,593</u>	<u>(22,733,442)</u>	<u>54,043</u>	<u>(22,679,399)</u>	<u>-</u>
Component Unit								
Housing and Redevelopment Commission	<u>\$ 4,216,394</u>	<u>\$ 1,398,768</u>	<u>\$ 2,224,393</u>	<u>\$ 3,244,560</u>				<u>2,651,327</u>
General Revenues								
Taxes:								
Property taxes					9,827,934	-	9,827,934	-
Sales taxes					17,742,266	-	17,742,266	-
State shared revenue					1,217,474	-	1,217,474	-
Unrestricted investment earnings					13,022	20,774	33,796	43,271
Miscellaneous revenue					807,213	171,573	978,786	-
Transfers					2,048,027	(2,048,027)	-	-
Total general revenues and transfers					<u>31,655,936</u>	<u>(1,855,680)</u>	<u>29,800,256</u>	<u>43,271</u>
Change in Net Position					<u>8,922,494</u>	<u>(1,801,637)</u>	<u>7,120,857</u>	<u>2,694,598</u>
Net Position - Beginning, as previously stated					84,931,799	42,691,025	127,622,824	12,853,924
Adjustments								
Correction of an error, see Note 16					-	812,748	812,748	-
Net Position - Beginning, as restated					<u>84,931,799</u>	<u>43,503,773</u>	<u>128,435,572</u>	<u>12,853,924</u>
Net Position - Ending					<u>\$ 93,854,293</u>	<u>\$ 41,702,136</u>	<u>\$ 135,556,429</u>	<u>\$ 15,548,522</u>

See Notes to Financial Statements

City of Aberdeen
Balance Sheet—Governmental Funds—Exhibit III
December 31, 2014

	General Fund	Park and Recreation Fund	Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 2,820,079	\$ 418,724	\$ 1,087,423	\$ 7,860,082	\$ 12,186,308
151 Investments	1,000,000	-	-	-	1,000,000
110 Taxes receivable, delinquent	162,054	-	-	16,567	178,621
115 Accounts receivable, net	45,027	-	-	83,013	128,040
121 Special assessments receivable, current	12,764	901	-	-	13,665
122 Special assessments receivable, delinquent	57,976	-	-	13,116	71,092
132 Due from federal/state/county governments	1,214,447	-	1,065,755	2,562,633	4,842,835
141 Inventory of supplies	-	-	-	10,774	10,774
154 Deposits	289,712	-	-	-	289,712
	<u>5,602,059</u>	<u>419,625</u>	<u>2,153,178</u>	<u>10,546,185</u>	<u>18,721,047</u>
Deferred Outflows of Resources					
198 Other deferred outflows of resources	-	-	-	-	-
	<u>\$ 5,602,059</u>	<u>\$ 419,625</u>	<u>\$ 2,153,178</u>	<u>\$ 10,546,185</u>	<u>\$ 18,721,047</u>
Liabilities					
202 Accounts payable	\$ 549,727	\$ 183,300	\$ 873,306	\$ 599,222	\$ 2,205,555
207 Contracts payable, retained percentage	-	-	227,107	234,905	462,012
215 Accrued interest payable	-	-	-	9,405	9,405
216 Accrued wages payable	305,118	60,032	-	18,711	383,861
223 Unearned revenue	-	-	-	15,310	15,310
	<u>854,845</u>	<u>243,332</u>	<u>1,100,413</u>	<u>877,553</u>	<u>3,076,143</u>
Deferred Inflows of Resources					
247 Other deferred inflows of resources - unavailable revenue	1,011,558	-	904,576	931,375	2,847,509
	<u>1,011,558</u>	<u>-</u>	<u>904,576</u>	<u>931,375</u>	<u>2,847,509</u>
Fund Balances					
263 Nonspendable	289,712	-	-	60,774	350,486
264 Restricted	-	176,293	-	7,644,211	7,820,504
265 Committed	-	-	148,189	-	148,189
266 Assigned	27,380	-	-	1,032,272	1,059,652
267 Unassigned	3,418,564	-	-	-	3,418,564
	<u>3,735,656</u>	<u>176,293</u>	<u>148,189</u>	<u>8,737,257</u>	<u>12,797,395</u>
Total fund balances	<u>\$ 5,602,059</u>	<u>\$ 419,625</u>	<u>\$ 2,153,178</u>	<u>\$ 10,546,185</u>	<u>\$ 18,721,047</u>

City of Aberdeen
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 Year Ended December 31, 2014

	Total
Total Fund Balances - Governmental Funds	\$ 12,797,395
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the funds.	106,968,439
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.	(29,125,104)
Unamortized balance of debt premiums are not due and payable in the current period and; therefore, are not reported in the funds.	(140,219)
Taxes collected after year-end, but not available soon enough to pay for current period expenditures.	2,847,509
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(125,342)
The unamortized difference between the net carrying value of the refunded debt and its reacquisition price is not reported in the funds though needs to be treated as a deferred outflow in the government-wide financial statements.	531,373
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 position.	100,242
Net Position - Governmental Funds	\$ 93,854,293

City of Aberdeen
Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV
Year Ended December 31, 2014

	General Fund	Park and Recreation Fund	Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
310 Taxes:					
311 General property taxes	\$ 7,580,809	\$ -	\$ -	\$ 2,173,421	\$ 9,754,230
312 Airflight property taxes	-	-	-	43,664	43,664
313 General sales and use taxes	8,497,669	-	8,174,647	1,002,856	17,675,172
318 Tax deed revenue	14,613	-	-	-	14,613
319 Penalties and interest on delinquent taxes	17,722	-	-	924	18,646
320 Licenses and permits	404,914	-	-	-	404,914
330 Intergovernmental revenue:					
331 Federal grants	457,246	20,486	2,458,500	2,066,117	5,002,349
334 State grants	52,067	30,000	1,322,631	114,653	1,519,351
335 State shared revenue:					
335.01 Bank franchise tax	103,254	-	-	-	103,254
335.02 Motor vehicle commercial prorated	27,472	-	-	-	27,472
335.03 Liquor tax reversion	160,951	-	-	-	160,951
335.04 Motor vehicle licenses (5%)	155,830	-	-	-	155,830
335.06 Fire insurance premiums reversion	71,721	-	-	-	71,721
335.08 Local government highway and bridge fund	539,629	-	-	-	539,629
335.20 Other	138,782	-	-	-	138,782
336 State payments in lieu of taxes	19,835	-	-	-	19,835
338 County shared revenue:					
338.03 County wheel tax	8,800	-	-	-	8,800
340 Charges for goods and services:					
341 General government	51,288	-	-	-	51,288
342 Public safety	97,698	-	-	-	97,698
343 Highways and streets	136,422	-	-	-	136,422
344 Sanitation	1,247,370	-	-	509,794	1,757,164
345 Health	15,460	-	-	-	15,460
346 Culture and recreation	3,632	567,817	-	765,582	1,337,031
348 Cemetery	-	36,258	-	1,590	37,848
349 Other	187,632	-	-	362,652	550,284
350 Fines and forfeits:					
351 Court fines and costs	29,209	-	-	-	29,209
359 Other	10	-	-	1,054	1,064
360 Miscellaneous revenue:					
361 Investment earnings	1,751	2	1,263	10,006	13,022
362 Rentals	272,470	-	-	13,430	285,900
367 Contributions and donations from private sources	19,718	-	-	467,501	487,219
369 Other	119,601	863	91,204	20,416	232,084
Total revenues	<u>20,433,575</u>	<u>655,426</u>	<u>12,048,245</u>	<u>7,553,660</u>	<u>40,690,906</u>
Expenditures					
410 General government:					
411 Legislative	143,209	-	-	-	143,209
412 Executive	379,421	-	-	-	379,421
414 Financial administration	555,694	-	-	-	555,694
419 Other	1,686,611	-	3,851,784	-	5,538,395
Total general government	<u>2,764,935</u>	<u>-</u>	<u>3,851,784</u>	<u>-</u>	<u>6,616,719</u>

City of Aberdeen
Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV
Year Ended December 31, 2014

	General Fund	Park and Recreation Fund	Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
420 Public safety:					
421 Police	4,052,223	-	-	-	4,052,223
422 Fire	2,502,590	-	-	-	2,502,590
423 Protective inspection	184,335	-	-	-	184,335
429 Other protection	-	-	284,073	-	284,073
Total public safety	<u>6,739,148</u>	<u>-</u>	<u>284,073</u>	<u>-</u>	<u>7,023,221</u>
430 Public works:					
431 Highways and streets	2,706,497	-	6,713,434	855,025	10,274,956
432 Sanitation	1,186,774	-	721,320	403,345	2,311,439
435 Airport	-	-	-	4,238,486	4,238,486
436 Parking facilities	-	-	-	68,169	68,169
437 Cemeteries	-	-	-	940	940
439 Transit	612,063	-	-	-	612,063
Total public works	<u>4,505,334</u>	<u>-</u>	<u>7,434,754</u>	<u>5,565,965</u>	<u>17,506,053</u>
440 Health and welfare:					
445 Drug education	58,938	-	-	-	58,938
449 Other	26,470	-	-	-	26,470
Total health and welfare	<u>85,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,408</u>
450 Culture and recreation					
451 Recreation	26,321	1,201,317	51,099	442,573	1,721,310
452 Parks	-	3,171,248	372,212	735,779	4,279,239
455 Libraries	999,262	-	37,742	14,469	1,051,473
457 Historical preservation	-	-	-	6,526	6,526
Total culture and recreation	<u>1,025,583</u>	<u>4,372,565</u>	<u>461,053</u>	<u>1,199,347</u>	<u>7,058,548</u>
460 Conservation and development:					
465 Economic development and assistance (industrial development)	503,239	-	408,536	1,047,610	1,959,385
Total conservation and development	<u>503,239</u>	<u>-</u>	<u>408,536</u>	<u>1,047,610</u>	<u>1,959,385</u>
470 Debt service					
Principal and interest	-	-	-	3,699,850	3,699,850
Bond issuance costs	-	-	-	116,761	116,761
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,816,611</u>	<u>3,816,611</u>
Total expenditures	<u>15,623,647</u>	<u>4,372,565</u>	<u>12,440,200</u>	<u>11,629,533</u>	<u>44,065,945</u>
Excess of Revenue over (under) Expenditures	<u>4,809,928</u>	<u>(3,717,139)</u>	<u>(391,955)</u>	<u>(4,075,873)</u>	<u>(3,375,039)</u>
Other Financing Sources (Uses)					
391.01 Transfers in	998,570	3,613,080	4,027,550	4,325,945	12,965,145
511 Transfers out	(4,212,680)	(25,000)	(3,626,550)	(3,052,888)	(10,917,118)
391.03 Sale of municipal property	61,103	-	-	-	61,103
391.04 Compensation for loss or damage to capital assets	43,243	20,548	-	2,390	66,181
391.20 Long-term debt issued	-	-	-	7,015,200	7,015,200
Total other financing sources (uses)	<u>(3,109,764)</u>	<u>3,608,628</u>	<u>401,000</u>	<u>8,290,647</u>	<u>9,190,511</u>
Net Change in Fund Balances	1,700,164	(108,511)	9,045	4,214,774	5,815,472
Net Position - Beginning	2,035,492	284,804	139,144	4,522,483	6,981,923
Fund Balance - Ending	<u>\$ 3,735,656</u>	<u>\$ 176,293</u>	<u>\$ 148,189</u>	<u>\$ 8,737,257</u>	<u>\$ 12,797,395</u>

City of Aberdeen
 Reconciliation of the Statement of Revenues, Expenditures and Changes to the Government-Wide
 Statement of Activities
 Year Ended December 31, 2014

	Total
Net Change in Fund Balances - Total Governmental Funds	\$ 5,815,472
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.	7,314,584
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.	(61,609)
Repayment of other long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,955,070
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	(33,588)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	992,731
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.	(12,216)
Governmental funds do not report a deferred outflow in connection with a refunding transaction, therefore an adjustment is necessary to recognize the amortization of these costs in the government-wide financial statements.	(48,676)
Proceeds from issuance of long-term debt recorded as an other financing source in governmental funds.	(7,015,200)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are reported as part of debt 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.	5,071
Change in Net Position of Governmental Activities	\$ 8,922,494

City of Aberdeen
Statement of Net Position—Proprietary Funds—Exhibit V
December 31, 2014

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
Current Assets					
Cash and cash equivalents	\$ 2,127,975	\$ 1,317,042	\$ 571,500	\$ 4,016,517	\$ 280,150
151 Investments	2,551,865	3,848,135	-	6,400,000	-
115 Accounts receivable, net	65,221	42,019	102,741	209,981	-
117 Unbilled accounts receivable	245,384	241,118	-	486,502	-
121 Special assessments receivable, current	1,517	-	-	1,517	-
122 Special assessments receivable, delinquent	3,503	-	-	3,503	-
132 Due from federal/state/county governments	29	-	-	29	-
141 Inventory of supplies	434,661	35,318	-	469,979	-
	<u>5,430,155</u>	<u>5,483,632</u>	<u>674,241</u>	<u>11,588,028</u>	<u>280,150</u>
Total current assets					
Noncurrent Assets					
Capital assets:					
160 Land	311,427	59,469	451,750	822,646	-
162 Buildings	27,775,644	33,354,549	1,515,259	62,645,452	-
164 Improvements other than buildings	15,704,038	9,731,834	954,705	26,390,577	-
166 Machinery and equipment	4,100,252	1,989,681	1,522,200	7,612,133	-
Less accumulated depreciation	(21,259,305)	(16,620,332)	(1,417,503)	(39,297,140)	-
	<u>26,632,056</u>	<u>28,515,201</u>	<u>3,026,411</u>	<u>58,173,668</u>	<u>-</u>
Total noncurrent assets					
	<u>\$ 32,062,211</u>	<u>\$ 33,998,833</u>	<u>\$ 3,700,652</u>	<u>\$ 69,761,696</u>	<u>\$ 280,150</u>

City of Aberdeen
Statement of Net Position—Proprietary Funds—Exhibit V
December 31, 2014

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
Current Liabilities					
201 Claims payable	\$ 2,636	\$ -	\$ -	\$ 2,636	\$ 170,983
202 Accounts payable	136,829	105,350	80,147	322,326	2,326
207 Contracts payable, retained percentage	-	12,193	-	12,193	-
213 Incurred but not reported claims	-	-	-	-	6,599
215 Accrued interest payable	59,351	80,573	-	139,924	-
216 Accrued wages payable	30,444	19,993	24,667	75,104	-
223 Unearned revenue	17,325	-	-	17,325	-
226 Bonds payable current:					
226.02 Revenue	950,509	993,232	-	1,943,741	-
233 Accrued leave payable	66,431	40,668	28,015	135,114	-
Total current liabilities	<u>1,263,525</u>	<u>1,252,009</u>	<u>132,829</u>	<u>2,648,363</u>	<u>179,908</u>
Noncurrent Liabilities					
231 Bonds payable:					
231.02 Revenue	11,144,487	14,266,710	-	25,411,197	-
Total noncurrent liabilities	<u>11,144,487</u>	<u>14,266,710</u>	<u>-</u>	<u>25,411,197</u>	<u>-</u>
Net Position					
253.10 Net investment in capital assets	14,440,929	15,213,938	3,026,411	32,681,278	-
253.20 Restricted net position, restricted for:					
253.21 Revenue bond debt service	108,021	1,430,662	-	1,538,683	-
253.90 Unrestricted net position	5,105,249	1,835,514	541,412	7,482,175	100,242
Total net position	<u>19,654,199</u>	<u>18,480,114</u>	<u>3,567,823</u>	<u>41,702,136</u>	<u>100,242</u>
	<u>\$ 32,062,211</u>	<u>\$ 33,998,833</u>	<u>\$ 3,700,652</u>	<u>\$ 69,761,696</u>	<u>\$ 280,150</u>

City of Aberdeen
Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds—Exhibit VI
Year Ended December 31, 2014

	Water Fund	Sewer Fund	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Operating Revenue					
380 Charges for goods and services	\$ 4,700,609	\$ 1,696,226	\$ 1,577,013	\$ 7,973,848	\$ 1,720,958
380 Debt service surcharge	108,021	1,430,662	-	1,538,683	-
369 Miscellaneous	144,219	26,088	973	171,280	-
Total operating revenue	<u>4,952,849</u>	<u>3,152,976</u>	<u>1,577,986</u>	<u>9,683,811</u>	<u>1,720,958</u>
Operating Expenses					
410 Personal services	1,096,741	807,841	1,064,842	2,969,424	-
420 Other current expenses	2,023,842	903,708	782,170	3,709,720	1,719,744
426.2 Materials (cost of goods sold)	57,499	(4,127)	-	53,372	-
457 Depreciation	1,026,371	954,836	194,027	2,175,234	-
Total operating expenses	<u>4,204,453</u>	<u>2,662,258</u>	<u>2,041,039</u>	<u>8,907,750</u>	<u>1,719,744</u>
Operating Income (Loss)	<u>748,396</u>	<u>490,718</u>	<u>(463,053)</u>	<u>776,061</u>	<u>1,214</u>
Nonoperating Revenue (Expense)					
361 Investment earnings	9,587	10,863	324	20,774	3,856
442 Interest expense	(286,766)	(396,335)	-	(683,101)	-
(492) 366 Gain (loss) on disposition of assets	(24,601)	(7,686)	-	(32,287)	-
(429) 369.01 Other	293	-	-	293	-
Total nonoperating revenue (expense)	<u>(301,487)</u>	<u>(393,158)</u>	<u>324</u>	<u>(694,321)</u>	<u>3,856</u>
Income (Loss) Before Contributions and Transfers	446,909	97,560	(462,729)	81,740	5,070
391.07 Capital contributions	85,540	79,110	-	164,650	-
391.1 Transfers in	165,000	23,228	1,405,922	1,594,150	-
511 Transfers out	(668,207)	(2,077,150)	(896,820)	(3,642,177)	-
Change in Net Position	<u>29,242</u>	<u>(1,877,252)</u>	<u>46,373</u>	<u>(1,801,637)</u>	<u>5,070</u>
Net Position - Beginning, as Previously Stated	19,624,957	19,544,618	3,521,450	42,691,025	95,172
Adjustments:					
Correction of error, see Note 16	-	812,748	-	812,748	-
Net Position - Beginning, as Restated	<u>19,624,957</u>	<u>20,357,366</u>	<u>3,521,450</u>	<u>43,503,773</u>	<u>95,172</u>
Net Position - Ending	<u>\$ 19,654,199</u>	<u>\$ 18,480,114</u>	<u>\$ 3,567,823</u>	<u>\$ 41,702,136</u>	<u>\$ 100,242</u>

See Notes to Financial Statements

City of Aberdeen
Statement of Cash Flows—Proprietary Funds—Exhibit VII
Year Ended December 31, 2014

	Water Fund	Sewer Fund	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Cash Flows from (used for) Operating Activities					
Receipt from customers	\$ 4,622,185	\$ 3,175,735	\$ 1,623,528	\$ 9,421,448	\$ 1,720,958
Payments to suppliers	(2,117,302)	(837,454)	(689,431)	(3,644,187)	-
Payments to employees	(1,087,879)	(808,715)	(1,062,336)	(2,958,930)	-
Cash payments for interfund services used	-	(23,228)	(65,252)	(88,480)	-
Claims paid	-	-	-	-	(1,955,024)
Cash receipts for interfund services provided	238,757	-	-	238,757	-
Net Cash from (used for) Operating Activities	<u>1,655,761</u>	<u>1,506,338</u>	<u>(193,491)</u>	<u>2,968,608</u>	<u>(234,066)</u>
Cash Flows from (used for) Noncapital Financing Activities					
Transfers from other funds	165,000	23,228	1,405,922	1,594,150	-
Transfers to other funds	(668,207)	(2,077,150)	(896,820)	(3,642,177)	-
Net Cash from (used for) Noncapital Financing Activities	<u>(503,207)</u>	<u>(2,053,922)</u>	<u>509,102</u>	<u>(2,048,027)</u>	<u>-</u>
Cash Flows from (used for) Capital and Related Financing Activities					
Capital contributions	85,540	79,110	-	164,650	-
Purchase of capital assets	(200,913)	(487,786)	(179,251)	(867,950)	-
Principal paid on capital debt	(935,665)	(935,679)	-	(1,871,344)	-
Interest paid on capital debt	(289,506)	(395,412)	-	(684,918)	-
Other receipts (payments)	839	-	-	839	-
Net Cash from (used for) Capital and Related Financing Activities	<u>(1,339,705)</u>	<u>(1,739,767)</u>	<u>(179,251)</u>	<u>(3,258,723)</u>	<u>-</u>
Cash Flows from Investing Activities					
Interest earnings	9,587	10,863	324	20,774	3,857
Net Cash from Investing Activities	<u>9,587</u>	<u>10,863</u>	<u>324</u>	<u>20,774</u>	<u>3,857</u>
Net Change in Cash and Cash Equivalents	(177,564)	(2,276,488)	136,684	(2,317,368)	(230,209)
Balances - Beginning	4,857,404	7,441,665	434,816	12,733,885	510,359
Balances - Ending	<u>\$ 4,679,840</u>	<u>\$ 5,165,177</u>	<u>\$ 571,500</u>	<u>\$ 10,416,517</u>	<u>\$ 280,150</u>

See Notes to Financial Statements

City of Aberdeen
Statement of Cash Flows—Proprietary Funds—Exhibit VII
Year Ended December 31, 2014

	Water Fund	Sewer Fund	Other Enterprise Funds	Totals	Internal Service Funds
Cash and Cash Equivalents Consist of:					
Cash and cash equivalents	\$ 2,127,975	\$ 1,317,042	\$ 571,500	\$ 4,016,517	\$ 280,150
Investments	2,551,865	3,848,135	-	6,400,000	-
	<u>\$ 4,679,840</u>	<u>\$ 5,165,177</u>	<u>\$ 571,500</u>	<u>\$ 10,416,517</u>	<u>\$ 280,150</u>
Cash from (used for) Operating Activities					
Operating income (loss)	\$ 748,396	\$ 490,718	\$ (463,053)	\$ 776,061	\$ 1,214
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:					
Depreciation expense	1,026,371	954,836	194,027	2,175,234	-
Change in assets and liabilities:					
Receivables	(43,042)	22,759	45,542	25,259	-
Inventories	(57,499)	4,127	-	(53,372)	-
Accounts and other payables	21,538	34,772	27,487	83,797	(235,280)
Accrued wages payable	1,888	(980)	2,579	3,487	-
Accrued leave payable	6,974	106	(73)	7,007	-
Revenue collected in advance	(48,865)	-	-	(48,865)	-
Net Cash from (used for) Operating Activities	<u>\$ 1,655,761</u>	<u>\$ 1,506,338</u>	<u>\$ (193,491)</u>	<u>\$ 2,968,608</u>	<u>\$ (234,066)</u>

City of Aberdeen
Statement of Net Position—Fiduciary Funds—Exhibit VIII
Year Ended December 31, 2014

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 55,783</u>
	<u>\$ 55,783</u>
Liabilities	
Amounts held for others	<u>\$ 55,783</u>
	<u>\$ 55,783</u>

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Aberdeen (the City) 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:

Component Unit	Criteria for Inclusion
Housing and Redevelopment Commission of the City of Aberdeen, South Dakota	City has legal authority to impose its will on the Commission 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 its 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 310 South Roosevelt, Aberdeen, SD 57401.

B. Basis of Presentation

The financial statements of 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.

Government-Wide Financial Statements

The statement of net position 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. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1.A above and may be classified as either governmental or business-type activities.

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

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. 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 funds of the financial reporting entity are described below:

Governmental Funds

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.

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. This is a major fund.

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. This is a major fund.

The remaining Special Revenue Funds are reported in the aggregate in the other governmental funds column on the fund financial statements: 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, and Aberdeen Landmark Commission Fund. These are not major funds.

Capital Projects Funds – Capital projects 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 or trust funds for individuals, private organizations, or other governments). The City has the following capital project funds which are reported in the aggregate in the other governmental funds column on the fund financial statements: City Hall Remodel Project Fund and TIF #19 Project Fund. These are not major funds.

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. In addition, the City also uses these funds to account for the property taxes which may be used only for the payment of the applicable TIF bonds. The City has the following debt service funds which are reported in the aggregate in the other governmental funds column on the fund financial statements: Parks and Rec AARC Bonds Funds, Parks and Rec Aquatic Center Bonds Fund, Public Safety Bonds Fund, Wylie Park Expansion Bonds Fund, City Hall Remodel Bonds Fund, Old Federal Building Bonds Fund, TIF District #2 Fund, TIF District #3 Fund, TIF District #4 Fund, TIF District #6 Fund, TIF District #8 Fund, TIF District #10 Fund, TIF District #11 Fund, TIF District #12 Fund, TIF District #17 Fund, and TIF District #19 Fund. These are not major funds.

Permanent Funds – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principle, may be used for purposes that support the City's programs – that is for the benefit of the City and its citizenry. The City has the following permanent funds which is reported in the aggregate in the other governmental funds column on the fund financial statements: Cemetery Perpetual Care Fund. This fund is to account for the payments received for perpetual care of cemeteries which is permanently set aside and for which only the income from the trust fund investments is used for the care and maintenance of the cemetery (SDCL 9-32-18). This is not a major fund.

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 City'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.

Enterprise Funds

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 City waterworks system and related facilities (SDCL 9-47-1).

Sewer Fund – To account for the construction and operation of the municipal sewer system and related facilities (SDCL 9-48-2).

The remaining enterprise funds are reported in the aggregate in the other enterprise funds column on the fund financial statements: Campground Fund, Golf Fund, Ambulance Fund, Old Federal Building Fund. These are not major funds.

Fiduciary Funds

Agency Fund – Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has one agency fund in which amounts are held until it can be determined if any is owed to the City or needs to be refunded back to the payor.

C. 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.

Measurement Focus

Government-Wide Financial Statements

In the government-wide statement of net position and statement of activities, governmental, business-type, and component unit activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

Basis of Accounting

Government-Wide Financial Statements

In the government-wide statement of net position and statement of activities, governmental, business-type and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The City considers significant revenues reported in the governmental funds to be available if the revenues are collected within twenty-five days after year end. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due. 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.

All proprietary funds and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

D. Interfund Eliminations and Reclassifications

Government-Wide Financial Statements

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type 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.

Fund Financial Statements

Noncurrent portions of long-term interfund receivables (reported in “Advance to” asset accounts) are equally offset by 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”.

E. Deposits and Investments

For the purpose of financial reporting and the statement of cash flows, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist primarily of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and those types of other investments authorized by South Dakota Codified Laws (SDCL) 4-5-6.

F. Receivables

Business-type activities receivables are composed of amounts owed the City by municipal residents for water, sewer and other services rendered. All trade receivables are shown net of an allowance for uncollectibles. The allowance for uncollectibles on trade accounts receivables totals \$174,887 at December 31, 2014.

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, 2014 balance of governmental activities capital assets includes approximately 22.1% 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 position. 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:

Major Asset Category	Estimated Useful Life
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 are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. In addition, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. 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 long-term debt is on the accrual basis, the same in the fund statements as 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 Inflows and Deferred Outflows of Recourses

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from sales taxes, delinquent property taxes and delinquent special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

K. Proprietary Funds Revenue and Expense Classifications

In the proprietary fund's statement of activities, revenues and expenses are classified in a manner consistent with how they are classified in the statement of cash flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

L. Cash and Cash Equivalents

The City pools the cash resources of its funds for cash management purpose. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash equivalents for the purpose of the statement of cash flows. In addition, the City also considers checking, money market funds, and all highly liquid securities with a maturity date of three months or less to be cash equivalents.

M. Equity Classifications

Government-Wide Statements

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

- Net Investment in Capital Assets – 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 Position – Consists of net position 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 Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

Fund Financial Statements

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

N. Application of Net Position

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

O. Fund Balance Classification Policies and Procedures

The City follows 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 12). 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:

	<u>General Fund</u>	<u>Park and Recreation Fund</u>	<u>Special Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances					
Nonspendable:					
Public assurance alliance reserve	\$ 289,712	\$ -	\$ -	\$ -	\$ 289,712
Inventory	-	-	-	10,774	10,774
Cemetery perpetual care	-	-	-	50,000	50,000
Restricted for:					
Promotion	-	-	-	41,334	41,334
Park and recreation	-	176,293	-	-	176,293
Park and recreation trust	-	-	-	829,698	829,698
Parking	-	-	-	259,770	259,770
Storm water maintenance	-	-	-	383,778	383,778
Library fines	-	-	-	86,029	86,029
Landmark commission	-	-	-	9,149	9,149
Debt service	-	-	-	3,068,090	3,068,090
Cemetery perpetual care	-	-	-	139,075	139,075
Capital projects	-	-	-	2,827,288	2,827,288
Committed to:					
Special sales tax	-	-	148,189	-	148,189
Assigned to:					
Applied to next year's budget	27,380	-	-	-	27,380
Cemetery improvement	-	-	-	6,052	6,052
Airport	-	-	-	1,026,220	1,026,220
Unassigned	3,418,564	-	-	-	3,418,564
Total fund balances	<u>\$ 3,735,656</u>	<u>\$ 176,293</u>	<u>\$ 148,189</u>	<u>\$ 8,737,257</u>	<u>\$ 12,797,395</u>

P. 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.

Q. Recent Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. The statement amends the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to government employers that account for pensions provided through trusts, or equivalent arrangements, that meet certain criteria. The statement includes accounting guidance for employers participating in single-employer and multiple-employer defined benefit pension plans, cost-sharing plans and defined contribution plans. The statement also addresses note disclosure and required supplementary information for employers whose employees are provided with defined benefit pensions through trusts. GASB 27 and 50 will remain applicable to employers whose pensions are not covered by the scope of this new statement.

Under the new statements, a cost-sharing employer whose employees receive pensions through a trust will report a net pension asset or liability, deferred outflows or inflows of resources related to pensions and pension expense based on its proportionate share of the collective net pension liability of all employers in the plan. The share of collective net pension liability recognized by an individual employer should be based on the employer's relationship to all employers and non-employer contributing entities in the plan. The employer's proportion should be consistent with how contributions are determined; the use of the long-term contribution effort of the employer is encouraged. The measurement of collective net pension liability, pension expense and other key information will follow the same standards that apply to single and agent employers. The effects of changes to an employer's expected proportion of total employer-related contributions—as well as the effects of differences between the expected and actual proportionate share of total employer-related contributions each period—will be reported as a deferred outflow or inflow of resources and recognized in the employer's pension expense in a systematic and rational manner over a closed period representative of the average expected remaining service lives of employees, beginning with the period of adoption. Under the current standards, governments recognize only the portion of cost-sharing pension obligations related to their annual required contributions.

GASB 68 will be effective for fiscal years beginning after June 15, 2014, with earlier application encouraged. The City is currently evaluating the impact this statement will have on financial reporting.

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, 2014 were as follows:

Primary Government	Bank Balance
Insured (FDIC/NCUA)	\$ 1,336,095
Uninsured, collateral jointly held by State's/City's agent in the name of the State and the pledging financial institution	22,340,361
Total deposits	\$ 23,676,456

The carrying amount of deposits on the December 31, 2014 statement of net position was \$23,666,171.

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, 2014, the City's deposits in financial institutions were not exposed to any custodial credit risk. As of December 31, 2014, the City's total deposits of \$23,676,456 (carrying value of \$23,666,171) were covered by insurance or collateral in accordance with the City's deposit policy.

Investments – As of December 31, 2014, the City had the following investments:

Investment	Credit Rating	Maturities	Fair Value
US Bank - First American Treasury Class D Money Market	Not Rated	\$ 1,049	\$ 1,049
US Bank - U.S. Treasury Note (matures on 05/31/15)	AAA	215,755	215,755
Total investments			\$ 216,804

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, 2014, the actual bank balances were as follows:

	Bank Balance
Insured (FDIC)	\$ 500,000
Uninsured, collateral held by the Commission or the Commission's agent in the Commission's name	426,220
Total deposits	\$ 926,220
The Commission's carrying amount of deposits at December 31	\$ 918,771

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. In addition to SDHDA requirements, restricted deposits also includes other amounts restricted by lenders or other agreements. The Commission's restricted deposits totaled \$1,374,674 as of December 31, 2014.

Note 3 - Receivables and Payables

Receivables and payables are not aggregated in these financial statements. The City expects all receivables to be collected within one year.

Note 4 - Inventory

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

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

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

In the fund financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed. Material supply inventories are off-set by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current position.

Note 5 - 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	\$5.752
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Note 6 - Due from Other Governments

- General Fund - \$75,702 due from federal government for grants; \$952,707 due from state government for 1% city sales tax; \$107,100 due from state government for local government highway/bridge funds; \$41,341 due from state government for liquor tax reversion funds; and \$37,597 due from county government for taxes and licenses.
- Promotion Fund - \$102,619 due from state government for 1% city sales tax.
- Airport Fund - \$2,325,884 due from federal government for grant and \$131,190 due from state government for grants.
- Special Sales Tax Fund - \$952,707 due from state government for 1% city sales tax; \$113,048 due from federal government for grant.
- Park and Recreation Trust Fund - \$1,000 due from federal government for grants.
- Business Improvement District Fund - \$1,940 due from county for property taxes.
- Water Fund - \$29 due from county government for special assessments.

Note 7 - Changes in Capital Assets

A summary of changes in capital assets of the primary government for the year ended December 31, 2014 is as follows:

<u>Primary Government</u>	<u>Balance 01/01/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/14</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land, not depreciated	\$ 9,443,303	\$ 200,682	\$ -	\$ 9,643,985
Construction work in progress	101,204	2,425,969	(101,204)	2,425,969
Total capital assets, not being depreciated	<u>9,544,507</u>	<u>2,626,651</u>	<u>(101,204)</u>	<u>12,069,954</u>
Capital assets, being depreciated:				
Buildings	35,293,269	3,118,734	(124,749)	38,287,254
Improvements other than buildings	103,710,619	4,538,997	(365,563)	107,884,053
Machinery and equipment	15,996,310	2,336,481	(795,095)	17,537,696
Total	<u>155,000,198</u>	<u>9,994,212</u>	<u>(1,285,407)</u>	<u>163,709,003</u>
Less accumulated depreciation for:				
Buildings	(10,339,680)	(775,307)	124,749	(10,990,238)
Improvements other than buildings	(42,849,125)	(3,409,397)	365,563	(45,892,959)
Machinery and equipment	(11,640,436)	(1,020,371)	733,486	(11,927,321)
Total accumulated depreciation	<u>(64,829,241)</u>	<u>(5,205,075)</u>	<u>1,223,798</u>	<u>(68,810,518)</u>
Total capital assets, being depreciated, net	<u>90,170,957</u>	<u>4,789,137</u>	<u>(61,609)</u>	<u>94,898,485</u>
Governmental activity capital assets, net	<u>\$ 99,715,464</u>	<u>\$ 7,415,788</u>	<u>\$ (162,813)</u>	<u>\$ 106,968,439</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 162,414
Public safety	442,196
Public works	3,766,200
Culture and recreation	834,265
Total depreciation expense - governmental activities	<u>\$ 5,205,075</u>

City of Aberdeen
Notes to Financial Statements
December 31, 2014

<u>Primary Government</u>	<u>Balance 01/01/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/14</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land, not depreciated	\$ 822,646	\$ -	\$ -	\$ 822,646
Total capital assets, not being depreciated	<u>822,646</u>	<u>-</u>	<u>-</u>	<u>822,646</u>
Capital assets, being depreciated:				
Buildings	62,544,804	100,648	-	62,645,452
Improvements other than buildings	26,172,753	242,080	(24,256)	26,390,577
Machinery and equipment	7,339,038	617,189	(344,094)	7,612,133
Total	<u>96,056,595</u>	<u>959,917</u>	<u>(368,350)</u>	<u>96,648,162</u>
Less accumulated depreciation for:				
Buildings	(20,810,245)	(1,200,272)	-	(22,010,517)
Improvements other than buildings	(12,749,717)	(508,260)	24,256	(13,233,721)
Machinery and equipment	(3,894,299)	(466,702)	308,099	(4,052,902)
Total accumulated depreciation	<u>(37,454,261)</u>	<u>(2,175,234)</u>	<u>332,355</u>	<u>(39,297,140)</u>
Total capital assets, being depreciated, net	<u>58,602,334</u>	<u>(1,215,317)</u>	<u>(35,995)</u>	<u>57,351,022</u>
Business-type activity capital assets, net	<u>\$ 59,424,980</u>	<u>\$ (1,215,317)</u>	<u>\$ (35,995)</u>	<u>\$ 58,173,668</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Water	\$ 1,026,371
Sewer	954,836
Old Federal Building	8,050
Campground	46,079
Golf	54,029
Ambulance	85,869
Total depreciation expense - business-type activities	<u>\$ 2,175,234</u>

The City has active construction projects as of December 31, 2014. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Airport Wasteland Project	<u>\$ 2,425,969</u>	<u>\$ 2,248,379</u>

A summary of changes in capital assets of the component unit for the year ended December 31, 2014 is as follows:

<u>Component Unit</u>	<u>Balance 1/1/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/14</u>
Capital assets, not being depreciated				
Land	\$ 805,229	\$ 292,500	\$ -	\$ 1,097,729
Capital assets, being depreciated:				
Buildings and improvements	19,945,084	5,363,504	(298,281)	25,010,307
Furniture, equipment and machinery - dwelling	836,398	201,235	(4,989)	1,032,644
Furniture, equipment and machinery - nondwelling	321,778	10,443	(6,344)	325,877
Construction in progress	<u>1,575,897</u>	<u>571,721</u>	<u>(2,147,618)</u>	<u>-</u>
Total capital assets, being depreciated	<u>22,679,157</u>	<u>6,146,903</u>	<u>(2,457,232)</u>	<u>26,368,828</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,442,260)	(789,880)	237,698	(7,994,442)
Furniture, equipment and machinery - dwelling	(591,111)	(96,189)	7,038	(680,262)
Furniture, equipment and machinery - nondwelling	<u>(284,349)</u>	<u>(60,440)</u>	<u>4,295</u>	<u>(340,494)</u>
Total accumulated depreciation	<u>(8,317,720)</u>	<u>(946,509)</u>	<u>249,031</u>	<u>(9,015,198)</u>
Total capital assets being depreciated, net	<u>14,361,437</u>	<u>5,200,394</u>	<u>(2,208,201)</u>	<u>17,353,630</u>
Capital assets, net	<u>\$ 15,166,666</u>	<u>\$ 5,492,894</u>	<u>\$ (2,208,201)</u>	<u>\$ 18,451,359</u>

Note 8 - Long-Term Liabilities

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

Primary Government	January 1, 2014	Increases	Decreases	December 31, 2014	Due Within One Year	Interest Paid
Governmental activities:						
Tax increment revenue bonds #2	\$ 2,550,000	\$ -	\$ (110,000)	\$ 2,440,000	\$ 115,000	\$ 134,870
Tax increment revenue bonds #4	85,292	-	(8,464)	76,828	9,014	5,544
Tax increment revenue bonds #6	702,238	-	(219,031)	483,207	233,750	47,190
Tax increment revenue bonds #8	2,760,644	-	(280,451)	2,480,193	202,360	149,236
Tax increment revenue bonds #17	1,695,000	-	(45,000)	1,650,000	55,000	75,463
Tax increment revenue bonds #19	-	1,935,200	(67,124)	1,868,076	69,836	70,508
Sales tax revenue bonds, ARCC	1,550,000	-	(205,000)	1,345,000	210,000	38,578
Sales tax revenue bonds, aquatic center	5,880,000	-	(435,000)	5,445,000	445,000	135,055
Sales tax revenue bonds, public safety buildings	7,916,074	-	(420,855)	7,495,219	430,000	323,168
Sales tax revenue bonds, campground expansion	480,000	-	(35,000)	445,000	35,000	18,713
Sales tax revenue bonds, City Hall Reno	-	3,940,000	-	3,940,000	-	92,659
Sales tax revenue bonds, Old Fed. Bldg.	-	1,140,000	(140,000)	1,000,000	195,000	15,966
Compensated absences	563,211	827,096	(793,507)	596,800	596,800	-
Total government activities	24,182,459	7,842,296	(2,759,432)	29,265,323	2,596,760	1,106,950
Business-type activities:						
Water sales tax and revenue bonds	13,030,661	-	(935,668)	12,094,993	950,509	285,766
Sewer revenue bonds	16,195,620	-	(935,679)	15,259,941	993,232	396,335
Compensated absences	128,106	193,114	(186,106)	135,114	135,114	-
Total business-type activities	29,354,387	193,114	(2,057,453)	27,490,048	2,078,855	682,101
Total primary government	\$ 53,536,846	\$ 8,035,410	\$ (4,816,885)	\$ 56,755,371	\$ 4,675,615	\$ 1,789,051
Component Unit						
Mortgages & other notes payable	\$ 5,190,427	\$ 882,859	\$ (508,251)	\$ 5,565,035	\$ 200,394	\$ 161,932
Other long-term liabilities	86,665	364,552	-	451,217	-	-
Compensated absences	23,656	3,788	-	27,444	27,444	-
	\$ 5,300,748	\$ 1,251,199	\$ (508,251)	\$ 6,043,696	\$ 227,838	\$ 161,932

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.

Liabilities payable at December 31, 2014 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 \$305,000, including interest ranging from 5.10% to 5.5% 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.	\$ 2,440,000
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, including interest at 6.5% from the Debt Service Fund, final payment due August 2021.	76,828
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, including interest at 6.72% from the Debt Service Fund, final payment due December 2016.	483,207
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 \$162,644, including interest at 5.5% from the Debt Service Fund, final payment due November 2024.	2,480,193
Tax Increment Revenue Bonds, District No. 17 totaling \$1,695,000 were issued in 2013. The bonds require annual payments ranging from \$45,000 to \$140,000, including interest ranging from 1.5% to 6.0% from the Debt Service Fund, final payment due December 2032.	1,650,000
Tax Increment Revenue Bonds, District No. 19 totaling \$1,935,200 were issued in 2014. The bonds require semi-annual payments ranging of \$71,934, including interest of 4.0% from the Debt Service Fund, final payment due June 2033.	1,868,076

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, 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%, and final payment due January 2020.	1,345,000
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, including interest ranging from 4% to 5.13% from the Debt Service Fund. In 2013, \$5,305,000 of bonds were issued to advance refund \$4,600,000 of these bonds, changing annual payments ranging from \$435,000 to \$550,000, including interest ranging from .70% to 2.70%, final payment due November 2025.	5,445,000

<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, including interest ranging from 3.75% to 5.5% from the Debt Service Fund, final payment due November 2027. Balance includes unamortized premium of \$140,219.</p>	7,495,219
<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, including interest ranging from 2.5% to 4.25% from the Debt Service Fund, final payment due December 2025.</p>	445,000
<p>Sales Tax Revenue Bonds, City Hall Renovation, totaling \$3,940,000, were issued in 2014. The bonds require annual principal payments ranging from \$215,000 to \$330,000, beginning December 2020. The bonds also require semi-annual interest payments, interest ranging from 1.7% to 4.00% from the Debt Service Fund, final payment due December 2034.</p>	3,940,000
<p>Sales Tax Revenue Bonds, Old Federal Building, totaling \$1,140,000, were issued in 2014. The bonds require annual principal payments ranging from \$140,000 to \$205,000. The bonds also require semi-annual interest payments, interest ranging from 1.00% to 2.90% from the Debt Service Fund, final payment due December 2019.</p>	1,000,000
<p>Water Revenue Bonds</p>	
<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. In 2012, \$12,945,000 of bonds were issued to refund \$12,696,325 of the loan agreement balance remaining. The bonds require annual payments ranging from \$865,000 to \$1,065,000, including interest ranging from 1.00% to 2.90% from the Water Fund, final payment due April 2026. Balance is net of unamortized discount of \$25,737.</p>	11,229,263
<p>Water Sales Tax Revenue Bonds</p>	
<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 ranging from \$26,771 to \$33,317, including interest at 2.25% from the Water Fund, final payment due October 2021.</p>	865,730
<p>Sewer Revenue Bonds</p>	
<p>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. The debt requires quarterly payments ranging from \$92,976 to \$208,617, including interest at 2.25% from the Sewer Fund, final payment due October 2027.</p>	9,435,610
<p>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. The debt requires quarterly payments ranging from \$50,898 to \$90,410, including interest at 3.25% from the Sewer Fund, final payment due April 2030.</p>	4,425,531
<p>The City passed Ordinance 13-03-04, to enter into a "Clean Water State Revolving Fund" loan agreement for up to \$1,500,000 in March 2013. The debt requires quarterly payments ranging from \$33,544 to \$41,747, including interest at 2.25% from the Sewer Fund, final payment due January 2024.</p>	1,398,800

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.	\$ 846,081
Lawson View - 6.76% Mortgage note payable with Richman Mortgage Assets Company, due in monthly installments of \$4,545, matures August 2026, secured by first position in substantially all Partnership assets.	653,808
Lawson View - 0% Mortgage note payable with South Dakota Housing Development Authority, due in annual installments of varying amounts, matures July 2039, secured by second position in substantially all Partnership assets.	321,631
Lawson View - 5.15% Note payable with Housing and Redevelopment Commission of the City of Aberdeen, South Dakota, interest and principal to be paid from net operating income, with the entire balance due December 2037, secured by third position in substantially all Partnership assets.	200,000
Sunshine Park - 0% HOME loan from South Dakota Housing Development Authority, \$3,100 monthly payments starting July 2011, due March 2035, secured by a mortgage on all property and equipment.	369,800
Sunshine Park - 6% mortgage note payable with Housing and Redevelopment Commission of the City of Aberdeen, South Dakota, yearly payments beginning April 2011, to the extent of available cash flow with entire balance due December 2039, secured by a mortgage and assignment of rents and leases.	214,465
Sunshine Park - 0% NSP loan from South Dakota Housing Development Authority, principal due July 2040, secured by a mortgage and assignment of rents and leases.	361,991
Sunshine Park - 0% TCAP mortgage note payable from South Dakota Housing Development Authority, principal due March 2050, secured by a mortgage and assignment of rents and leases.	331,841
Meadow Wood - 0% HOME loan from South Dakota Housing Development Authority, yearly payments beginning July 2014, to the extend of available cash flow with entire balance due July 2033, secured by a mortgage on all property and equipment and an assignment of rents including principal and interest, through May 2021.	586,559
Jackson Heights - 5.8% mortgage note payable to First Dakota National Bank, due in varying monthly installments, including interest, beginning March 2015 through February 2031, secured by a mortgage on all property and equipment.	796,000
Jackson Heights - 0% note payable to South Dakota Housing Development Authority, due in varying annual installments beginning January 2015 through August 2038, secured by a mortgage on all property and equipment. As of December 31, 2014, there was \$122,635 available to draw on the note.	882,859

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 2014 were \$1,221,434 and \$4,808,630, respectively. For the Sewer Revenue Bonds, principal and interest paid and total customer revenues for 2014 were \$1,332,014 and \$3,126,888, respectively.

The loan agreements for the 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, 2014, the City was in compliance with the net revenues available for debt service on the 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 \$3,551,210, payable through December 2029. For 2014, principal and interest paid and total incremental property tax revenues were \$244,870 and \$284,051, 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 \$98,059, payable through August 2021. For 2014, principal and interest paid and total incremental property tax revenues were \$14,008 and \$14,956, 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 \$532,443, payable through December 2016. For 2014, principal and interest paid and total incremental property tax revenues were \$266,221 and \$405,626, 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 \$3,274,580, payable through May 2025. For 2014, principal and interest paid and total incremental property tax revenues were \$436,434 and \$436,426, respectively.

In October 2012, the City passed a resolution creating Tax Incremental District No. 17. In January 2013, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 17 to provide funds not exceed the amount of \$1,500,000 for project costs. Bonds in the amount of \$1,695,000 have been issued with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 17. Incremental property taxes were projected to produce 180% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$2,622,875, payable through December 2034. For 2014, principal and interest paid and total incremental property tax revenues were \$120,463 and \$234,402, respectively.

In August 2013, the City passed a resolution creating Tax Incremental District No. 19. In September 2013, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 19 to provide funds not exceed the amount of \$2,500,000 for project costs. Bonds in the amount of \$1,935,200 have been issued in January 2014, with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 19. Incremental property taxes were projected to produce at least 105% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$2,661,543, payable through June 2033. For 2014, principal and interest paid and total incremental property tax revenues were \$137,632 and \$0, respectively.

The Tax Increment Revenue Bonds, District Nos. 2, 4, 6, 8, 17, and 19 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, 8, 17, and 19.

Other Bonds

The City has authorized the issuance of Series 2014A and 2014B sales tax revenue bonds in the total amounts of \$3,940,000 and \$1,140,000 for City Hall renovations and acquisition of the Old Federal Building, respectively. Interest rates for the Series 2014A bonds were 1.7% - 4.00% and are tax exempt bonds for City Hall renovations. Interest rates for the Series 2014B bonds were 1.00% - 2.90% and are taxable bonds.

The annual requirements to maturity for all debt outstanding as of December 31, 2014, excluding compensated absences and unamortized debt premiums/discounts are as follows:

Year Ending December 31	Tax Increment Revenue Bonds		Sales Tax Revenue Bonds		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 684,960	\$ 461,471	\$ 1,315,000	\$ 628,285	\$ 200,394	\$ 181,157
2016	730,358	424,383	1,355,000	586,850	206,773	169,376
2017	506,371	384,403	1,385,000	547,305	215,027	156,322
2018	532,666	359,853	1,425,000	504,088	223,028	142,322
2019	554,829	333,006	1,475,000	465,128	232,187	127,163
2020-2024	3,186,057	1,195,970	7,065,000	1,685,495	673,343	469,158
2025-2029	1,947,512	497,336	3,980,000	616,653	903,930	248,919
2030-2034	855,551	85,982	1,530,000	185,090	1,204,110	120,102
2035-2039	-	-	-	-	1,012,409	86,661
2040-2044	-	-	-	-	361,991	-
2045-2049	-	-	-	-	-	-
2050	-	-	-	-	331,843	-
	<u>\$ 8,998,304</u>	<u>\$ 3,742,404</u>	<u>\$ 19,530,000</u>	<u>\$ 5,218,894</u>	<u>\$ 5,565,035</u>	<u>\$ 1,701,180</u>

Year Ending December 31	Water Revenue Bonds		Sewer Revenue Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 950,509	\$ 274,525	\$ 993,232	\$ 378,434
2016	968,130	258,204	1,018,050	353,616
2017	985,810	239,436	1,043,506	328,160
2018	1,003,551	218,365	1,069,617	302,049
2019	1,026,355	195,082	1,096,401	275,265
2020-2024	5,081,376	614,934	5,781,924	950,461
2025-2029	2,104,999	60,888	4,077,121	263,256
2030-2032	-	-	180,090	2,198
	<u>\$ 12,120,730</u>	<u>\$ 1,861,434</u>	<u>\$ 15,259,941</u>	<u>\$ 2,853,439</u>

Note 9 - 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. Neither the City of Aberdeen, the State of South Dakota, nor 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, 2014, there were three revenue bond issues of this type outstanding. The balance of the two revenue bonds issued after July 1, 1995, was \$4,200,906. 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 10 - Interfund Balances and Activity

Transfers to/from other funds during the year ended December 31, 2014 consist of the following:

From the city hall project fund to the special sales tax fund to supplement other fund sources	\$ 1,187,550
From the ambulance fund to the general fund to supplement other funds sources	9,700
From the general fund to the parks and recreation fund to supplement other fund sources	3,357,960
From the general fund to the airport fund to supplement other fund sources	539,050
From the general fund to the golf fund to supplement other fund sources	120,000
From the general fund to the ambulance fund to supplement other fund sources	195,670
From the special sales tax fund to the general fund to supplement other fund sources	450,000
From the special sales tax fund to the airport fund to supplement other fund sources	1,055,550
From the special sales tax fund to the parks & recreation fund to supplement other fund sources	134,000
From the special sales tax fund to the water fund to supplement other fund sources	165,000
From the special sales tax fund to the ARRC debt service fund to supplement other fund sources	250,000
From the special sales tax fund to the aquatic center debt service fund to supplement other fund sources	570,000
From the special sales tax fund to the public safety debt service fund to supplement other fund sources	732,000
From the special sales tax fund to the wylie park campground debt service fund to supplement other fund sources	56,000
From the special sales tax fund to the city hall debt service fund to supplement other fund sources	100,000
From the special sales tax fund to the federal building debt service fund to supplement other fund sources	114,000
From the enterprise funds to the general fund to supplement other fund sources	513,720
From the enterprise funds to the special sales tax fund to supplement other fund sources	640,000
From the sewer fund to the special sales tax fund to supplement other fund sources	1,500,000
From the federal building enterprise fund to special sales tax fund to supplement other fund sources	700,000
From the water fund to the general fund to supplement other fund sources	25,150
From the water fund to the airport fund to supplement other fund sources	2,507
From the water fund to the golf fund to supplement other fund sources	65,252
From the water fund to the parks and recreation fund to supplement other fund sources	121,120
From the water fund to the sewer fund to supplement other fund sources	23,228
From the water fund to the storm water maintenance fund to supplement other fund sources	1,500
From the parks and recreation fund to the campground fund to supplement other fund sources	25,000
From the TIF #19 project fund to the TIF #19 debt service fund to supplement other fund sources	865,338
From the federal building debt service fund to the federal building enterprise fund to supplement other fund sources	1,000,000
From the federal building enterprise fund to the federal building debt service fund to supplement other fund sources	40,000
	<u>\$ 14,559,295</u>

Note 11 - Restricted Net Position

The following table shows the net position restricted for other purposes as shown on the government-wide statement of net position as of December 31, 2014:

Fund	Restricted By	Amount
Promotion fund	State Law	\$ 125,276
Park and recreation fund	State Law	176,293
Park recreation trust fund	State Law	829,698
Business improvement district fund	State Law	1,940
Parking fund	State Law	259,770
Storm water maintenance fund	State Law	394,551
Library fines fund	State Law	86,029
Aberdeen landmark commission	State Law	9,149
General fund - SD public assurance alliance	Contractual Agreement	289,712
		<u>\$ 2,172,418</u>
Total restricted net position for other purposes		<u>\$ 2,172,418</u>

Note 12 - 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, 2014, 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. The City provided a "Fitness Program" to assist employees and covered spouses in addressing wellness/preventative care in advance of serious medical conditions from January 1, 2012 through December 31, 2013. The benefit under this program is reimbursement to the employee/spouse 50% of the fees incurred up to a maximum of \$25 per month as outlined in the statement of policy. Also, the City has a "Disease Management" program for those diagnosed with diabetes, asthma, and heart conditions which is administered through Dakotacare at a monthly premium of \$10 per person and paid by the City's Self-Funded Insurance Fund.

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 and \$400,000 on one identified individual with an aggregate of approximately \$1,908,908.

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 and \$400,000 on one identified individual. Net position of \$96,487 is available as of December 31, 2014 for future claims and premium increases. The amount of claim liabilities for the years ended December 31, 2014, 2013, and 2012 were \$177,583, \$412,840, and \$51,595, respectively.

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

	Balance at January 1	Claims and Changes in Estimates	Claim Payments	Balance at December 31
2014	\$ 412,840	\$ 903,943	\$ 1,139,200	\$ 177,583
2013	51,595	1,849,059	1,487,814	412,840
2012	51,110	1,311,339	1,310,854	51,595

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:

Coverage	Deductible
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, 2014, 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 \$750,000 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 net position in the Unemployment Compensation Fund in the amount of \$3,755 as of December 31, 2014 for the payment of future unemployment benefits.

During the year ended December 31, 2014, no claim benefits 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, 2014, 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 13 - 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, 2014, 2013, and 2012 were \$806,237, \$779,610, and \$764,034, respectively, equal to the required contributions each year.

Note 14 - 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 15 - 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 2015 and 2016; for a total of \$500,000 remaining.

Note 16 - Correction of Error

During the current year, it was discovered that certain sewer fund expenditures were expensed in prior years that should have been classified as capital assets, net of related depreciation, rather than being expensed. The total net book value of these assets totaled \$812,748 as of January 1, 2014. To correct this error as of January 1, 2014, beginning net position for the sewer fund of \$19,544,618, as originally reported, has been increased by \$812,748 to \$20,357,366 and beginning net position for business-type activities of \$42,691,025, as originally reported, has been increased by \$812,748 to \$43,503,773.



Required Supplementary Information
December 31, 2014

City of Aberdeen

City of Aberdeen
Budgetary Comparison Schedule—General Fund
Year Ended December 31, 2014

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes:				
311 General property taxes	\$ 7,587,000	\$ 7,587,000	\$ 7,580,809	\$ (6,191)
313 General sales and use taxes	8,635,000	8,635,000	8,497,669	(137,331)
318 Tax deed revenue	-	-	14,613	14,613
319 Penalties and interest on delinquent taxes	15,000	15,000	17,722	2,722
320 Licenses and permits	437,500	437,500	404,914	(32,586)
330 Intergovernmental revenue:				
331 Federal grants	340,000	340,000	457,246	117,246
334 State grants	61,000	61,000	52,067	(8,933)
335 State shared revenue:				
335.01 Bank franchise tax	65,000	65,000	103,254	38,254
335.02 Motor vehicle commercial prorated	25,000	25,000	27,472	2,472
335.03 Liquor tax reversion	150,000	150,000	160,951	10,951
335.04 Motor vehicle licenses (5%)	120,000	120,000	155,830	35,830
335.06 Fire insurance premiums reversion	60,000	60,000	71,721	11,721
335.08 Local government highway and bridge fund	450,000	450,000	539,629	89,629
335.20 Other	118,000	118,000	138,782	20,782
336 State payments in lieu of taxes	-	-	19,835	19,835
338 County shared revenue:				
338.02 County HBR tax	20,500	20,500	-	(20,500)
338.03 County wheel tax	8,500	8,500	8,800	300
340 Charge for goods and services:				
341 General government	56,000	56,000	51,288	(4,712)
342 Public safety	84,500	84,500	97,698	13,198
343 Highways and streets	120,000	120,000	136,422	16,422
344 Sanitation	1,212,000	1,212,000	1,247,370	35,370
345 Health	6,000	6,000	15,460	9,460
346 Culture and recreation	2,500	2,500	3,632	1,132
349 Other	184,000	184,000	187,632	3,632
350 Fines and forfeits:				
351 Court fines and costs	20,000	20,000	29,209	9,209
359 Other	-	-	10	10
360 Miscellaneous revenue:				
361 Investment earnings	50,000	50,000	1,751	(48,249)
362 Rentals	195,000	195,000	272,470	77,470
367 Contributions and donations from private sources	16,500	16,500	19,718	3,218
369 Other	36,000	36,000	119,601	83,601
Total revenues	<u>20,075,000</u>	<u>20,075,000</u>	<u>20,433,575</u>	<u>358,575</u>

City of Aberdeen
Budgetary Comparison Schedule—General Fund
Year Ended December 31, 2014

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
410 General government:				
411 Legislative	148,500	148,500	143,209	5,291
411.5 Contingency	300,000	300,000		
Amount transferred			-	300,000
412 Executive	369,550	379,850	379,421	429
414 Financial administration	602,250	602,250	555,694	46,556
419 Other	1,912,700	1,922,200	1,686,611	235,589
Total general government	<u>3,333,000</u>	<u>3,352,800</u>	<u>2,764,935</u>	<u>587,865</u>
420 Public safety:				
421 Police	4,060,870	4,101,370	4,052,223	49,147
422 Fire	2,941,350	3,070,350	2,502,590	567,760
423 Protective inspection	213,400	213,400	184,335	29,065
Total public safety	<u>7,215,620</u>	<u>7,385,120</u>	<u>6,739,148</u>	<u>645,972</u>
430 Public works:				
431 Highways and streets	2,842,060	2,989,760	2,706,497	283,263
432 Sanitation	1,353,000	1,353,000	1,186,774	166,226
439 Transit	647,150	679,150	612,063	67,087
Total public works	<u>4,842,210</u>	<u>5,021,910</u>	<u>4,505,334</u>	<u>516,576</u>
440 Health and welfare:				
445 Drug education	63,950	63,950	58,938	5,012
449 Other	27,620	27,620	26,470	1,150
Total health and welfare	<u>91,570</u>	<u>91,570</u>	<u>85,408</u>	<u>6,162</u>
450 Culture and recreation:				
451 Recreation	28,065	28,065	26,321	1,744
455 Libraries	1,108,150	1,113,150	999,262	113,888
Total culture and recreation	<u>1,136,215</u>	<u>1,141,215</u>	<u>1,025,583</u>	<u>115,632</u>
460 Conservation and development:				
465 Economic development and assistance (industrial development)	522,800	522,800	503,239	49,561
Total conservation and development	<u>522,800</u>	<u>522,800</u>	<u>503,239</u>	<u>49,561</u>
470 Debt service	51,085	51,085	-	51,085
Total expenditures	<u>17,192,500</u>	<u>17,596,500</u>	<u>15,623,647</u>	<u>1,972,853</u>
Excess of Revenue over (under) Expenditures	<u>2,882,500</u>	<u>2,478,500</u>	<u>4,809,928</u>	<u>2,331,428</u>
Other Financing Sources (Uses)				
391.01 Transfers in	963,720	963,720	998,570	34,850
511 Transfers out	(4,162,680)	(4,162,680)	(4,212,680)	(50,000)
391.03 Sale of municipal property	20,000	20,000	61,103	41,103
391.04 Compensation for loss or damage to capital assets	20,000	20,000	43,243	23,243
Total other financing sources (uses)	<u>(3,158,960)</u>	<u>(3,158,960)</u>	<u>(3,109,764)</u>	<u>49,196</u>
Net Change in Fund Balances	(276,460)	(680,460)	1,700,164	2,380,624
Fund Balance - Beginning	<u>2,035,492</u>	<u>2,035,492</u>	<u>2,035,492</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,759,032</u>	<u>\$ 1,355,032</u>	<u>\$ 3,735,656</u>	<u>\$ 2,380,624</u>

City of Aberdeen
 Budgetary Comparison Schedule—Park and Recreation Fund
 Year Ended December 31, 2014

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
330 Intergovernmental revenue:				
331 Federal grants	\$ 50,000	\$ 50,000	\$ 20,486	\$ (29,514)
332 Federal shared revenue	10,000	10,000	30,000	20,000
340 Charge for goods and services:				
346 Culture and recreation	603,990	603,990	567,817	(36,173)
348 Cemetery	30,500	30,500	36,258	5,758
360 Miscellaneous revenue:				
361 Investment earnings	50	50	2	(48)
369 Other	-	-	863	863
Total revenues	<u>694,540</u>	<u>694,540</u>	<u>655,426</u>	<u>(39,114)</u>
Expenditures				
450 Culture and recreation:				
451 Recreation	1,299,465	1,341,840	1,201,317	140,523
452 Parks	2,987,485	3,324,985	3,171,248	153,737
Total culture and recreation	<u>4,286,950</u>	<u>4,666,825</u>	<u>4,372,565</u>	<u>294,260</u>
Total expenditures	<u>4,286,950</u>	<u>4,666,825</u>	<u>4,372,565</u>	<u>294,260</u>
Excess of Revenue over (under) Expenditures	<u>(3,592,410)</u>	<u>(3,972,285)</u>	<u>(3,717,139)</u>	<u>255,146</u>
Other Financing Sources (Uses)				
391.01 Transfers in	3,491,960	3,491,960	3,613,080	121,120
511 Transfers out	-	-	(25,000)	(25,000)
391.04 Compensation for loss or damage to capital assets	-	-	20,548	20,548
Total other financing sources (uses)	<u>3,491,960</u>	<u>3,491,960</u>	<u>3,608,628</u>	<u>116,668</u>
Net Change in Fund Balances	(100,450)	(480,325)	(108,511)	371,814
Fund Balance - Beginning	<u>284,803</u>	<u>284,803</u>	<u>284,804</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 184,353</u>	<u>\$ (195,522)</u>	<u>\$ 176,293</u>	<u>\$ 371,815</u>

City of Aberdeen
 Budgetary Comparison Schedule—Special Revenue Fund—Special Sales Tax Fund
 Year Ended December 31, 2014

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes:				
313 General sales and use taxes	\$ 8,275,000	\$ 8,275,000	\$ 8,174,647	\$ (100,353)
330 Intergovernmental revenue:				
331 Federal grants	3,000,000	3,000,000	2,458,500	(541,500)
332 Federal shared revenue	-	-	1,322,631	1,322,631
360 Miscellaneous revenue:				
361 Investment earnings	-	-	1,263	1,263
369 Other	-	-	91,204	91,204
Total revenues	11,275,000	11,275,000	12,048,245	773,245
Expenditures				
410 General government:				
419 Other	200,000	4,000,000	3,851,784	148,216
Total general government	200,000	4,000,000	3,851,784	148,216
420 Public safety:				
429 Other protection	450,000	450,000	284,073	165,927
Total public safety	450,000	450,000	284,073	165,927
430 Public works:				
431 Highways and streets	6,612,325	6,762,325	6,713,434	48,891
432 Sanitation	2,453,800	2,588,800	721,320	1,867,480
Total public works	9,066,125	9,351,125	7,434,754	1,916,371
450 Culture and recreation:				
451 Recreation	58,125	58,125	51,099	7,026
452 Parks	348,000	398,000	372,212	25,788
455 Libraries	175,000	175,000	37,742	137,258
Total culture and recreation	581,125	631,125	461,053	170,072
460 Conservation and development:				
465 Economic development and assistance (industrial development)	405,200	405,200	408,536	(3,336)
Total conservation and development	405,200	405,200	408,536	(3,336)
Total expenditures	10,702,450	14,837,450	12,440,200	2,397,250
Excess of Revenue over (under) Expenditures	572,550	(3,562,450)	(391,955)	3,170,495
Other Financing Sources (Uses)				
391.01 Transfers in	640,000	640,000	4,027,550	3,387,550
511 Transfers out	(2,587,550)	(2,587,550)	(3,626,550)	(1,039,000)
Total other financing sources (uses)	(1,947,550)	(1,947,550)	401,000	2,348,550
Net Change in Fund Balances	(1,375,000)	(5,510,000)	9,045	5,519,045
Fund Balance - Beginning	139,144	139,144	139,144	-
Fund Balance - Ending	\$ (1,235,856)	\$ (5,370,856)	\$ 148,189	\$ 5,519,045

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, 2013 or December 31, 2014.

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, 2014
City of Aberdeen

City of Aberdeen
Combining Balance Sheet—Nonmajor Governmental Funds
December 31, 2014

	Promotion Fund	Park and Recreation Trust Fund	Cemetery Improvement Fund	Business Improvement District Fund	Airport Fund	Parking Fund	Storm Water Fund
Assets							
Cash and cash equivalents	\$ 22,657	\$ 884,146	\$ 6,052	\$ -	\$ 130,300	\$ 259,796	\$ 367,866
110 Taxes receivable, delinquent	-	-	-	-	14,885	1,682	-
115 Accounts receivable, net	-	-	-	-	54,798	-	28,215
122 Special assessments receivable - delinquent	-	-	-	-	-	-	-
132 Due from federal/state/county government	102,619	1,000	-	1,940	2,457,074	-	-
141 Inventory of supplies	-	-	-	-	-	-	10,774
Total assets	<u>125,276</u>	<u>885,146</u>	<u>6,052</u>	<u>1,940</u>	<u>2,657,057</u>	<u>261,478</u>	<u>406,855</u>
	<u>\$ 125,276</u>	<u>\$ 885,146</u>	<u>\$ 6,052</u>	<u>\$ 1,940</u>	<u>\$ 2,657,057</u>	<u>\$ 261,478</u>	<u>\$ 406,855</u>
Liabilities							
202 Accounts payable	\$ -	\$ 30,732	\$ -	\$ -	\$ 553,062	\$ 26	\$ 5,767
207 Contracts payable - retained percentage	-	-	-	-	234,905	-	-
215 Accrued interest payable	-	9,405	-	-	-	-	-
216 Accrued wages payable	-	-	-	-	12,175	-	6,536
223 Unearned revenue	-	15,310	-	-	-	-	-
Total liabilities	<u>-</u>	<u>55,447</u>	<u>-</u>	<u>-</u>	<u>800,142</u>	<u>26</u>	<u>12,303</u>
Deferred Inflows of Resources							
247 Other deferred inflows of resources	<u>83,942</u>	<u>-</u>	<u>-</u>	<u>1,940</u>	<u>830,695</u>	<u>1,682</u>	<u>-</u>
Fund Balances							
263 Nonspendable	-	-	-	-	-	-	10,774
264 Restricted	41,334	829,699	-	-	-	259,770	383,778
266 Assigned	-	-	6,052	-	1,026,220	-	-
Total fund balances	<u>41,334</u>	<u>829,699</u>	<u>6,052</u>	<u>-</u>	<u>1,026,220</u>	<u>259,770</u>	<u>394,552</u>
	<u>\$ 125,276</u>	<u>\$ 885,146</u>	<u>\$ 6,052</u>	<u>\$ 1,940</u>	<u>\$ 2,657,057</u>	<u>\$ 261,478</u>	<u>\$ 406,855</u>

City of Aberdeen
Combining Balance Sheet--Nonmajor Governmental Funds
December 31, 2014

	Library Fine Fund	Landmark Commission Fund	Tax Increment Financing District No. 2 Bonds Fund	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 Funds
Assets							
Cash and cash equivalents	\$ 86,029	\$ 9,721	\$ 362,009	\$ 15,063	\$ 257,734	\$ 3	\$ 596,583
110 Taxes receivable, delinquent	-	-	-	-	-	-	-
115 Accounts receivable, net	-	-	-	-	-	-	-
122 Special assessments receivable - delinquent	-	-	-	-	-	-	-
132 Due from federal/state/county government	-	-	-	-	-	-	-
141 Inventory of supplies	-	-	-	-	-	-	-
Total assets	<u>86,029</u>	<u>9,721</u>	<u>362,009</u>	<u>15,063</u>	<u>257,734</u>	<u>3</u>	<u>596,583</u>
	<u>\$ 86,029</u>	<u>\$ 9,721</u>	<u>\$ 362,009</u>	<u>\$ 15,063</u>	<u>\$ 257,734</u>	<u>\$ 3</u>	<u>\$ 596,583</u>
Liabilities							
202 Accounts payable	\$ -	\$ 572	\$ -	\$ -	\$ -	\$ -	\$ -
207 Contracts payable - retained percentage	-	-	-	-	-	-	-
215 Accrued interest payable	-	-	-	-	-	-	-
216 Accrued wages payable	-	-	-	-	-	-	-
223 Unearned revenue	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources							
247 Other deferred inflows of resources	-	-	-	-	-	-	-
Fund Balances							
263 Nonspendable	-	-	-	-	-	-	-
264 Restricted	86,029	9,149	362,009	15,063	257,734	3	596,583
266 Assigned	-	-	-	-	-	-	-
Total fund balances	<u>86,029</u>	<u>9,149</u>	<u>362,009</u>	<u>15,063</u>	<u>257,734</u>	<u>3</u>	<u>596,583</u>
	<u>\$ 86,029</u>	<u>\$ 9,721</u>	<u>\$ 362,009</u>	<u>\$ 15,063</u>	<u>\$ 257,734</u>	<u>\$ 3</u>	<u>\$ 596,583</u>

City of Aberdeen
Combining Balance Sheet–Nonmajor Governmental Funds
December 31, 2014

	Tax Increment Financing District No.6 Bonds Fund	Public Safety Building 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
Assets							
Cash and cash equivalents	\$ 194,387	\$ 764,623	\$ 8	\$ -	\$ -	\$ 67,293	\$ 83,636
110 Taxes receivable, delinquent	-	-	-	-	-	-	-
115 Accounts receivable, net	-	-	-	-	-	-	-
122 Special assessments receivable - delinquent	8,610	-	-	-	384	-	4,122
132 Due from federal/state/county government	-	-	-	-	-	-	-
141 Inventory of supplies	-	-	-	-	-	-	-
Total assets	<u>202,997</u>	<u>764,623</u>	<u>8</u>	<u>-</u>	<u>384</u>	<u>67,293</u>	<u>87,758</u>
	<u>\$ 202,997</u>	<u>\$ 764,623</u>	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ 384</u>	<u>\$ 67,293</u>	<u>\$ 87,758</u>
Liabilities							
202 Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
207 Contracts payable - retained percentage	-	-	-	-	-	-	-
215 Accrued interest payable	-	-	-	-	-	-	-
216 Accrued wages payable	-	-	-	-	-	-	-
223 Unearned revenue	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources							
247 Other deferred inflows of resources	<u>8,610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>384</u>	<u>-</u>	<u>4,122</u>
Fund Balances							
263 Nonspendable	-	-	-	-	-	-	-
264 Restricted	194,387	764,623	8	-	-	67,293	83,636
266 Assigned	-	-	-	-	-	-	-
Total fund balances	<u>194,387</u>	<u>764,623</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>67,293</u>	<u>83,636</u>
	<u>\$ 202,997</u>	<u>\$ 764,623</u>	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ 384</u>	<u>\$ 67,293</u>	<u>\$ 87,758</u>

City of Aberdeen
Combining Balance Sheet--Nonmajor Governmental Funds
December 31, 2014

	Tax Increment Financing District No. 17 Bonds Fund	City Hall Remodel Bonds Fund	Tax Increment Financing District No. 19 Bonds Fund	Old Federal Building Bonds Fund	Cemetery Perpetual Care Fund	City Hall Remodel Project Fund	Tax Increment Financing District No. 19 Project Fund	Total Nonmajor Governmental Funds
Assets								
Cash and cash equivalents	\$ 255,491	\$ 355,167	\$ 1,271	\$ 114,822	\$ 189,075	\$ 2,612,450	\$ 223,900	\$ 7,860,082
110 Taxes receivable, delinquent	-	-	-	-	-	-	-	16,567
115 Accounts receivable, net	-	-	-	-	-	-	-	83,013
122 Special assessments receivable - delinquent	-	-	-	-	-	-	-	13,116
132 Due from federal/state/county government	-	-	-	-	-	-	-	2,562,633
141 Inventory of supplies	-	-	-	-	-	-	-	10,774
Total assets	<u>255,491</u>	<u>355,167</u>	<u>1,271</u>	<u>114,822</u>	<u>189,075</u>	<u>2,612,450</u>	<u>223,900</u>	<u>10,546,185</u>
	<u>\$ 255,491</u>	<u>\$ 355,167</u>	<u>\$ 1,271</u>	<u>\$ 114,822</u>	<u>\$ 189,075</u>	<u>\$ 2,612,450</u>	<u>\$ 223,900</u>	<u>\$ 10,546,185</u>
Liabilities								
202 Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,063	\$ 599,222
207 Contracts payable - retained percentage	-	-	-	-	-	-	-	234,905
215 Accrued interest payable	-	-	-	-	-	-	-	9,405
216 Accrued wages payable	-	-	-	-	-	-	-	18,711
223 Unearned revenue	-	-	-	-	-	-	-	15,310
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,063</u>	<u>877,553</u>
Deferred Inflows of Resources								
247 Other deferred inflows of resources	-	-	-	-	-	-	-	931,375
Fund Balances								
263 Nonspendable	-	-	-	-	50,000	-	-	60,774
264 Restricted	255,491	355,167	1,271	114,822	139,075	2,612,450	214,837	7,644,211
266 Assigned	-	-	-	-	-	-	-	1,032,272
Total fund balances	<u>255,491</u>	<u>355,167</u>	<u>1,271</u>	<u>114,822</u>	<u>189,075</u>	<u>2,612,450</u>	<u>214,837</u>	<u>8,737,257</u>
	<u>\$ 255,491</u>	<u>\$ 355,167</u>	<u>\$ 1,271</u>	<u>\$ 114,822</u>	<u>\$ 189,075</u>	<u>\$ 2,612,450</u>	<u>\$ 223,900</u>	<u>\$ 10,546,185</u>

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds
Year Ended December 31, 2014

	Promotion Fund	Park and Recreation Trust	Cemetery Improvement Fund	Business Improvement District Fund	Airport Fund	Parking District Fund	Storm Water Fund
Revenues							
310 Taxes:							
311 General property taxes	\$ -	\$ -	\$ -	\$ 61,280	\$ -	\$ 84,617	\$ -
312 Airflight property tax	-	-	-	-	43,664	-	-
313 General sales and use taxes	1,002,856	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	-	-	-	444	-	480	-
330 Intergovernmental revenue:							
331 Federal grants	-	1,000	-	-	2,063,753	-	-
334 State grants	-	-	-	-	114,653	-	-
340 Charges for goods and services:							
344 Sanitation	-	-	-	-	-	-	509,794
346 Culture and recreation	-	765,582	-	-	-	-	-
348 Cemetery	-	-	1,590	-	-	-	-
349 Other	-	-	-	-	362,652	-	-
350 Fines and forfeits:							
359 Other	-	-	-	-	1,054	-	-
360 Miscellaneous revenue:							
361 Investment earnings	14	421	90	-	143	119	149
362 Rentals	-	-	-	-	-	13,430	-
367 Contributions and donations from private sources	-	467,501	-	-	-	-	-
369 Other	-	-	-	-	3,194	-	-
Total revenues	1,002,870	1,234,504	1,680	61,724	2,589,113	98,646	509,943
Expenditures							
430 Public works:							
431 Highways and streets	-	-	-	-	-	-	-
432 Sanitation	-	-	-	-	-	-	403,345
435 Airport	-	-	-	-	4,238,486	-	-
436 Parking facilities	-	-	-	-	-	68,169	-
437 Cemeteries	-	-	940	-	-	-	-
Total public works	-	-	940	-	4,238,486	68,169	403,345
450 Culture and recreation:							
451 Recreation	-	442,573	-	-	-	-	-
452 Parks	-	735,779	-	-	-	-	-
455 Libraries	-	-	-	-	-	-	-
457 Historical preservation	-	-	-	-	-	-	-
Total culture and recreation	-	1,178,352	-	-	-	-	-
460 Conservation and development:							
465 Economic development and assistance (industrial development)	979,719	-	-	67,891	-	-	-
Total conservation and development	979,719	-	-	67,891	-	-	-
470 Debt service							
Principal and interest	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-
Total debt service	-	-	-	-	-	-	-
Total expenditures	979,719	1,178,352	940	67,891	4,238,486	68,169	403,345
Excess of revenue over (under) expenditures	23,151	56,152	740	(6,167)	(1,649,373)	30,477	106,598
Other Financing Sources (Uses)							
391.01 Transfers in	-	-	-	-	1,597,107	-	1,500
511 Transfers out	-	-	-	-	-	-	-
391.04 Compensation for loss or damage to capital assets	-	-	-	-	2,390	-	-
391.20 Long-term debt issued	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	1,599,497	-	1,500
Net Change in Fund Balances	23,151	56,152	740	(6,167)	(49,876)	30,477	108,098
Fund Balance - Beginning	18,183	773,547	5,312	6,167	1,076,096	229,293	286,454
Fund Balance - Ending	\$ 41,334	\$ 829,699	\$ 6,052	\$ -	\$ 1,026,220	\$ 259,770	\$ 394,552

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds
Year Ended December 31, 2014

	Library Fine Fund	Landmark Commission Fund	Tax Increment Financing District No. 2 Bonds Fund	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
Revenues							
310 Taxes:							
311 General property taxes	\$ -	\$ -	\$ 284,051	\$ 14,956	\$ -	\$ 46,394	\$ -
312 Airflight property tax	-	-	-	-	-	-	-
313 General sales and use taxes	-	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	-	-	-	-	-	-	-
330 Intergovernmental revenue:							
331 Federal grants	-	1,364	-	-	-	-	-
334 State grants	-	-	-	-	-	-	-
340 Charges for goods and services:							
344 Sanitation	-	-	-	-	-	-	-
346 Culture and recreation	-	-	-	-	-	-	-
348 Cemetery	-	-	-	-	-	-	-
349 Other	-	-	-	-	-	-	-
350 Fines and forfeits:							
359 Other	-	-	-	-	-	-	-
360 Miscellaneous revenue:							
361 Investment earnings	62	5	6,196	4	1	7	-
362 Rentals	-	-	-	-	-	-	-
367 Contributions and donations from private sources	-	-	-	-	-	-	-
369 Other	16,678	544	-	-	-	-	-
Total revenues	<u>16,740</u>	<u>1,913</u>	<u>290,247</u>	<u>14,960</u>	<u>1</u>	<u>46,401</u>	<u>-</u>
Expenditures							
430 Public works:							
431 Highways and streets	-	-	-	-	-	-	-
432 Sanitation	-	-	-	-	-	-	-
435 Airport	-	-	-	-	-	-	-
436 Parking facilities	-	-	-	-	-	-	-
437 Cemeteries	-	-	-	-	-	-	-
Total public works	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
450 Culture and recreation:							
451 Recreation	-	-	-	-	-	-	-
452 Parks	-	-	-	-	-	-	-
455 Libraries	14,469	-	-	-	-	-	-
457 Historical preservation	-	6,526	-	-	-	-	-
Total culture and recreation	<u>14,469</u>	<u>6,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
460 Conservation and development:							
465 Economic development and assistance (industrial development)	-	-	-	-	-	-	-
Total conservation and development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
470 Debt service							
Principal and interest	-	-	245,379	14,008	244,078	46,411	571,055
Bond issuance costs	-	-	-	-	-	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>245,379</u>	<u>14,008</u>	<u>244,078</u>	<u>46,411</u>	<u>571,055</u>
Total expenditures	<u>14,469</u>	<u>6,526</u>	<u>245,379</u>	<u>14,008</u>	<u>244,078</u>	<u>46,411</u>	<u>571,055</u>
Excess of revenue over (under) expenditures	<u>2,271</u>	<u>(4,613)</u>	<u>44,868</u>	<u>952</u>	<u>(244,077)</u>	<u>(10)</u>	<u>(571,055)</u>
Other Financing Sources (Uses)							
391.01 Transfers in	-	-	-	-	250,000	-	570,000
511 Transfers out	-	-	-	-	-	-	-
391.04 Compensation for loss or damage to capital assets	-	-	-	-	-	-	-
391.20 Long-term debt issued	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>570,000</u>
Net Change in Fund Balances	2,271	(4,613)	44,868	952	5,923	(10)	(1,055)
Fund Balance - Beginning	83,758	13,762	317,141	14,111	251,811	13	597,638
Fund Balance - Ending	<u>\$ 86,029</u>	<u>\$ 9,149</u>	<u>\$ 362,009</u>	<u>\$ 15,063</u>	<u>\$ 257,734</u>	<u>\$ 3</u>	<u>\$ 596,583</u>

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds
Year Ended December 31, 2014

	Tax Increment Financing District No.6 Bonds Fund	Public Safety Building 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
Revenues							
310 Taxes:							
311 General property taxes	\$ 405,626	\$ -	\$ 436,426	\$ 293,029	\$ 140,317	\$ -	\$ 172,323
312 Airflight property tax	-	-	-	-	-	-	-
313 General sales and use taxes	-	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	-	-	-	-	-	-	-
330 Intergovernmental revenue:							
331 Federal grants	-	-	-	-	-	-	-
334 State grants	-	-	-	-	-	-	-
340 Charges for goods and services:							
344 Sanitation	-	-	-	-	-	-	-
346 Culture and recreation	-	-	-	-	-	-	-
348 Cemetery	-	-	-	-	-	-	-
349 Other	-	-	-	-	-	-	-
350 Fines and forfeits:							
359 Other	-	-	-	-	-	-	-
360 Miscellaneous revenue:							
361 Investment earnings	85	1	16	-	-	1	-
362 Rentals	-	-	-	-	-	-	-
367 Contributions and donations from private sources	-	-	-	-	-	-	-
369 Other	-	-	-	-	-	-	-
Total revenues	405,711	1	436,442	293,029	140,317	1	172,323
Expenditures							
430 Public works:							
431 Highways and streets	-	-	-	-	-	-	-
432 Sanitation	-	-	-	-	-	-	-
435 Airport	-	-	-	-	-	-	-
436 Parking facilities	-	-	-	-	-	-	-
437 Cemeteries	-	-	-	-	-	-	-
Total public works	-	-	-	-	-	-	-
450 Culture and recreation:							
451 Recreation	-	-	-	-	-	-	-
452 Parks	-	-	-	-	-	-	-
455 Libraries	-	-	-	-	-	-	-
457 Historical preservation	-	-	-	-	-	-	-
Total culture and recreation	-	-	-	-	-	-	-
460 Conservation and development:							
465 Economic development and assistance (industrial development)	-	-	-	-	-	-	-
Total conservation and development	-	-	-	-	-	-	-
470 Debt service							
Principal and interest	266,221	733,668	436,434	293,894	140,481	54,213	110,326
Bond issuance costs	-	-	-	-	-	-	-
Total debt service	266,221	733,668	436,434	293,894	140,481	54,213	110,326
Total expenditures	266,221	733,668	436,434	293,894	140,481	54,213	110,326
Excess of revenue over (under) expenditures	139,490	(733,667)	8	(865)	(164)	(54,212)	61,997
Other Financing Sources (Uses)							
391.01 Transfers in	-	732,000	-	-	-	56,000	-
511 Transfers out	-	-	-	-	-	-	-
391.04 Compensation for loss or damage to capital assets	-	-	-	-	-	-	-
391.20 Long-term debt issued	-	-	-	-	-	-	-
Total other financing sources (uses)	-	732,000	-	-	-	56,000	-
Net Change in Fund Balances	139,490	(1,667)	8	(865)	(164)	1,788	61,997
Fund Balance - Beginning	54,897	766,290	-	865	164	65,505	21,639
Fund Balance - Ending	\$ 194,387	\$ 764,623	\$ 8	\$ -	\$ -	\$ 67,293	\$ 83,636

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds
Year Ended December 31, 2014

	Tax Increment Financing District No. 17 Bonds Fund	City Hall Remodel Bonds Fund	Tax Increment Financing District No. 19 Bonds Fund	Old Federal Building Bonds Fund	Cemetery Perpetual Care Fund	City Hall Remodel Project Fund	Tax Increment Financing District No. 19 Prjoect Fund	Total Nonmajor Governmental Funds
Revenues								
310 Taxes:								
311 General property taxes	\$ 234,402	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,173,421
312 Airflight property tax	-	-	-	-	-	-	-	43,664
313 General sales and use taxes	-	-	-	-	-	-	-	1,002,856
319 Penalties and interest on delinquent taxes	-	-	-	-	-	-	-	924
330 Intergovernmental revenue:								
331 Federal grants	-	-	-	-	-	-	-	2,066,117
334 State grants	-	-	-	-	-	-	-	114,653
340 Charges for goods and services:								
344 Sanitation	-	-	-	-	-	-	-	509,794
346 Culture and recreation	-	-	-	-	-	-	-	765,582
348 Cemetery	-	-	-	-	-	-	-	1,590
349 Other	-	-	-	-	-	-	-	362,652
350 Fines and forfeits:								
359 Other	-	-	-	-	-	-	-	1,054
360 Miscellaneous revenue:								
361 Investment earnings	-	-	-	42	2,650	-	-	10,006
362 Rentals	-	-	-	-	-	-	-	13,430
367 Contributions and donations from private sources	-	-	-	-	-	-	-	467,501
369 Other	-	-	-	-	-	-	-	20,416
Total revenues	234,402	-	-	42	2,650	-	-	7,553,660
Expenditures								
430 Public works:								
431 Highways and streets	-	-	-	-	-	-	855,025	855,025
432 Sanitation	-	-	-	-	-	-	-	403,345
435 Airport	-	-	-	-	-	-	-	4,238,486
436 Parking facilities	-	-	-	-	-	-	-	68,169
437 Cemeteries	-	-	-	-	-	-	-	940
Total public works	-	-	-	-	-	-	855,025	5,565,965
450 Culture and recreation:								
451 Recreation	-	-	-	-	-	-	-	442,573
452 Parks	-	-	-	-	-	-	-	735,779
455 Libraries	-	-	-	-	-	-	-	14,469
457 Historical preservation	-	-	-	-	-	-	-	6,526
Total culture and recreation	-	-	-	-	-	-	-	1,199,347
460 Conservation and development:								
465 Economic development and assistance (industrial development)	-	-	-	-	-	-	-	1,047,610
Total conservation and development	-	-	-	-	-	-	-	1,047,610
470 Debt service								
Principal and interest	127,710	115,346	144,379	156,247	-	-	-	3,699,850
Bond issuance costs	12,301	69,487	12,000	22,973	-	-	-	116,761
Total debt service	140,011	184,833	156,379	179,220	-	-	-	3,816,611
Total expenditures	140,011	184,833	156,379	179,220	-	-	855,025	11,629,533
Excess of revenue over (under) expenditures	94,391	(184,833)	(156,379)	(179,178)	2,650	-	(855,025)	(4,075,873)
Other Financing Sources (Uses)								
391.01 Transfers in	-	100,000	865,338	154,000	-	-	-	4,325,945
511 Transfers out	-	-	-	(1,000,000)	-	(1,187,550)	(865,338)	(3,052,888)
391.04 Compensation for loss or damage to capital assets	-	-	-	-	-	-	-	2,390
391.20 Long-term debt issued	-	440,000	-	1,140,000	-	3,500,000	1,935,200	7,015,200
Total other financing sources (uses)	-	540,000	865,338	294,000	-	2,312,450	1,069,862	8,290,647
Net Change in Fund Balances	94,391	355,167	708,959	114,822	2,650	2,312,450	214,837	4,214,774
Fund Balance - Beginning	161,100	-	(707,688)	-	186,425	300,000	-	4,522,483
Fund Balance - Ending	\$ 255,491	\$ 355,167	\$ 1,271	\$ 114,822	\$ 189,075	\$ 2,612,450	\$ 214,837	\$ 8,737,257

City of Aberdeen
Combining Statement of Net Position–Nonmajor Enterprise Funds
December 31, 2014

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Old Federal Building Fund	Campground Fund	Golf Fund	Ambulance Fund	
Current Assets					
Cash and cash equivalents	\$ 323,627	\$ 7,310	\$ 114,259	\$ 126,304	\$ 571,500
115 Accounts receivable, net	-	-	-	102,741	102,741
Total current assets	<u>323,627</u>	<u>7,310</u>	<u>114,259</u>	<u>229,045</u>	<u>674,241</u>
Noncurrent Assets					
Capital assets:					
160 Land	101,250	-	350,500	-	451,750
162 Buildings	402,494	927,067	185,698	-	1,515,259
164 Improvements other than buildings	-	730,927	223,778	-	954,705
166 Machinery and equipment	-	26,819	527,898	967,483	1,522,200
Less accumulated depreciation (credit)	<u>(8,050)</u>	<u>(314,366)</u>	<u>(664,392)</u>	<u>(430,695)</u>	<u>(1,417,503)</u>
Total noncurrent assets	<u>495,694</u>	<u>1,370,447</u>	<u>623,482</u>	<u>536,788</u>	<u>3,026,411</u>
	<u>\$ 819,321</u>	<u>\$ 1,377,757</u>	<u>\$ 737,741</u>	<u>\$ 765,833</u>	<u>\$ 3,700,652</u>
Current Liabilities					
202 Accounts payable	\$ 21,800	\$ 3,654	\$ 6,424	\$ 48,269	\$ 80,147
216 Accrued wages payable	-	223	3,144	21,300	24,667
233 Accrued leave payable	-	-	1,488	26,527	28,015
Total current liabilities	<u>21,800</u>	<u>3,877</u>	<u>11,056</u>	<u>96,096</u>	<u>132,829</u>
Net Position					
253.10 Net investment in capital assets	495,694	1,370,447	623,482	536,788	3,026,411
253.90 Unrestricted net position	<u>301,827</u>	<u>3,433</u>	<u>103,203</u>	<u>132,949</u>	<u>541,412</u>
Total net position	<u>797,521</u>	<u>1,373,880</u>	<u>726,685</u>	<u>669,737</u>	<u>3,567,823</u>
	<u>\$ 819,321</u>	<u>\$ 1,377,757</u>	<u>\$ 737,741</u>	<u>\$ 765,833</u>	<u>\$ 3,700,652</u>

City of Aberdeen
Combining Statement of Revenues, Expenses and Changes in Net Position–Nonmajor Enterprise Funds
Year Ended December 31, 2014

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Old Federal Building Fund	Campground Fund	Golf Fund	Ambulance Fund	
Operating Revenue					
380 Charges for goods and services	\$ -	\$ 354,518	\$ 403,106	\$ 819,389	\$ 1,577,013
369 Miscellaneous	-	778	195	-	973
Total operating revenue	<u>-</u>	<u>355,296</u>	<u>403,301</u>	<u>819,389</u>	<u>1,577,986</u>
Operating Expenses					
410 Personal services	142,071	58,662	176,596	687,513	1,064,842
420 Other current expenses	76	140,093	328,273	313,728	782,170
457 Depreciation	8,050	46,079	54,029	85,869	194,027
Total operating expenses	<u>150,197</u>	<u>244,834</u>	<u>558,898</u>	<u>1,087,110</u>	<u>2,041,039</u>
Operating Loss	<u>(150,197)</u>	<u>110,462</u>	<u>(155,597)</u>	<u>(267,721)</u>	<u>(463,053)</u>
Nonoperating Revenue					
361 Investment earnings	247	30	32	15	324
Total nonoperating revenue (expense)	<u>247</u>	<u>30</u>	<u>32</u>	<u>15</u>	<u>324</u>
Loss Before Contributions, Special Items and Extraordinary Items	(149,950)	110,492	(155,565)	(267,706)	(462,729)
391.1 Transfers in	1,000,000	25,000	185,252	195,670	1,405,922
511 Transfers out	(740,000)	(88,430)	(18,490)	(49,900)	(896,820)
Change in Net Position	110,050	47,062	11,197	(121,936)	46,373
Net Position - Beginning	<u>687,471</u>	<u>1,326,818</u>	<u>715,488</u>	<u>791,673</u>	<u>3,521,450</u>
Net Position - Ending	<u>\$ 797,521</u>	<u>\$ 1,373,880</u>	<u>\$ 726,685</u>	<u>\$ 669,737</u>	<u>\$ 3,567,823</u>

City of Aberdeen
Combining Statement of Cash Flows–Nonmajor Enterprise Funds
Year Ended December 31, 2014

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Old Federal Building Fund	Campground Fund	Golf Fund	Ambulance Fund	
Cash Flows from (used for) Operating Activities					
Receipt from customers	\$ -	\$ 355,296	\$ 403,301	\$ 864,931	\$ 1,623,528
Payments to suppliers	13,380	(138,613)	(275,316)	(288,882)	(689,431)
Payments to employees	(142,071)	(58,563)	(176,556)	(685,146)	(1,062,336)
Cash payments for interfund services used	-	-	(65,252)	-	(65,252)
Net Cash from (used for) Operating Activities	<u>(128,691)</u>	<u>158,120</u>	<u>(113,823)</u>	<u>(109,097)</u>	<u>(193,491)</u>
Cash Flows from (used for) Noncapital Financing Activities					
Transfers from other funds	1,000,000	25,000	185,252	195,670	1,405,922
Transfers to other funds	<u>(740,000)</u>	<u>(88,430)</u>	<u>(18,490)</u>	<u>(49,900)</u>	<u>(896,820)</u>
Net Cash from (used for) Noncapital Financing Activities	<u>260,000</u>	<u>(63,430)</u>	<u>166,762</u>	<u>145,770</u>	<u>509,102</u>
Cash Flows used for Capital and Related Financing Activities					
Purchase of capital assets	-	(107,717)	(41,723)	(29,811)	(179,251)
Net Cash used for Capital and Related Financing Activities	<u>-</u>	<u>(107,717)</u>	<u>(41,723)</u>	<u>(29,811)</u>	<u>(179,251)</u>
Cash Flows from Investing Activities					
Interest earnings	247	30	32	15	324
Net Cash from Investing Activities	<u>247</u>	<u>30</u>	<u>32</u>	<u>15</u>	<u>324</u>
Net Change in Cash and Cash Equivalents	131,556	(12,997)	11,248	6,877	136,684
Balance - Beginning	<u>192,071</u>	<u>20,307</u>	<u>103,011</u>	<u>119,427</u>	<u>434,816</u>
Balance - Ending	<u>\$ 323,627</u>	<u>\$ 7,310</u>	<u>\$ 114,259</u>	<u>\$ 126,304</u>	<u>\$ 571,500</u>
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities:					
Operating income (loss)	\$ (150,197)	\$ 110,462	\$ (155,597)	\$ (267,721)	\$ (463,053)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:					
Depreciation expense	8,050	46,079	54,029	85,869	194,027
Changes in assets and liabilities:					
Receivables	-	-	-	45,542	45,542
Accounts and other payables	13,456	1,480	(12,295)	24,846	27,487
Accrued wages payable	-	99	267	2,213	2,579
Accrued leave payable	-	-	(227)	154	(73)
Net Cash from (used for) Operating Activities	<u>\$ (128,691)</u>	<u>\$ 158,120</u>	<u>\$ (113,823)</u>	<u>\$ (109,097)</u>	<u>\$ (193,491)</u>

City of Aberdeen
Statement of Cash Flows—Discretely Presented Component Unit
Year Ended December 31, 2014

	<u>Housing and Redevelopment Commission</u>
Operating Activities	
Receipts from tenant payments	\$ 1,112,719
Receipts for management fees and other	245,701
Payments to employees	(561,840)
Housing assistance payments	(1,413,104)
Payments to suppliers and others	<u>(1,009,308)</u>
Net Cash used for Operating Activities	<u>(1,625,832)</u>
Noncapital Financing Activities	
HUD grants received	<u>2,224,393</u>
Net Cash from Noncapital Financing Activities	<u>2,224,393</u>
Capital and Related Financing Activities	
Purchase of property and equipment	(4,532,386)
Purchase of other asset	(56,026)
Payments for interest	(163,158)
Principal payments on long-term debt	(279,895)
Net advances from (payments on) construction note payable	(228,352)
Proceeds from long-term debt	882,859
Equity Contributions	3,244,560
Equity Distributions	<u>(3,000)</u>
Net Cash used for Capital and Related Financing Activities	<u>(1,135,398)</u>
Investing Activities	
Payment of investment in limited partnership	(143)
Payment of advance to limited partnership	(3,733)
Interest received	<u>32,821</u>
Net Cash from Investing Activities	<u>28,945</u>
Net Change in Cash	(507,892)
Cash Beginning of Year	<u>3,061,093</u>
Cash End of Year	<u>\$ 2,553,201</u>
Cash Consists of:	
Cash	\$ 1,079,145
Funded security deposits	99,382
Restricted deposits	<u>1,374,674</u>
	<u>\$ 2,553,201</u>

City of Aberdeen
Statement of Cash Flows—Discretely Presented Component Unit
Year Ended December 31, 2014

	<u>Housing and Redevelopment Commission</u>
Reconciliation of Operating Loss to Net Cash used for	
Operating Activities:	
Operating loss	\$ (2,592,109)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	957,897
Change in assets and liabilities:	
Rental accounts receivable	2,595
Other receivables	(64,445)
Prepaid expenses	(6,025)
Accounts payable and other accrued liabilities	57,233
Tenant security deposits	20,071
Deferred revenues	<u>(1,049)</u>
Net Cash used for Operating Activities	<u><u>\$ (1,625,832)</u></u>
Non Cash Investing and Financing Activities	
Increase in property and equipment from developer fee payable	\$ 355,885
Increase in long-term debt from conversion of construciton note payable	796,000

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

The City Council
City of Aberdeen
Aberdeen, South Dakota

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Aberdeen (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 19, 2015.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency 2014-A as described in the accompanying schedule of findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies 2014-B and 2014-C as described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

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

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. 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 Bailly LLP". The signature is written in a cursive, flowing style.

City and State of Issuing Office
August 19, 2015

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the City Council
City of Aberdeen
Aberdeen, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the City of Aberdeen's (the City) compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

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, 2014.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

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 deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Aberdeen, South Dakota
August 19, 2015

City of Aberdeen
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Pass-Through Entity Identifying Number For Indirect Programs	Expenditures
Environmental Protection Agency			
Indirect Federal Funding:			
SD Department of Environment and Natural Resources:			
Leaking Underground Storage Tank Trust Fund Program	66.805	*****	\$ 113,048
Department of Interior			
Indirect Federal Funding:			
SD Department of Tourism and State Development,			
Historic Preservation Fund Grants-in-Aid	15.904	*****	1,364
Department of Transportation			
Direct Federal Funding:			
Airport Improvement Program (3-46-0001-33)	20.106	3-46-0001-32,33,34	2,836,130
Indirect Federal Funding:			
SD Department of Public Safety:			
Interagency Hazardous Materials Public Sector Training and			
Planning Grants	20.703	*****	36,697
SD Department of Transportation:			
Highway Planning and Construction	20.205	P 2255-09, PCN 01D5	2,458,500
Recreational Trails Program	20.219	*****	10,486
Total Highway and Planning Construction Cluster			2,468,986
Federal Transit - Capital Investment Grants (Section 5309)	20.500	UMGR11223682P	2,184
Formula Grants for Other Than Urbanized Areas (Section	20.509	811251,811232,811194,RTAP	242,259
Capital Assistance Program for Elderly Persons and Persons	20.513	*****	6,459
with Disabilities (Section 5310)			2,756,585
Total indirect federal funding			5,592,715
Total Department of Transportation			5,592,715
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	UMIIB01N	7,030
General Services Administration:			
Indirect Federal Funding:			
SD Federal Property Agency:			
Donation of Federal Surplus Personal Property (Note C)	39.003	*****	1,149
National Endowment for the Arts:			
Indirect Federal Funding:			
SD Arts Council:			
Promotion of the Arts - Partnership Agreements	45.025	*****	11,000
Department of Homeland Security:			
Direct Federal Funding:			
Law Enforcement Officer Reimbursement Agreement Program	97.090	*****	14,961
Indirect Federal Funding:			
SD Department of Public Safety:			
Homeland Security Grant Program	97.067	*****	62,141
Total Department of Homeland Security			77,102
Department of Justice:			
Direct Federal Funding:			
Bulletproof Vest Partnership Program	16.607	2010-DJ-BX-0526	11,670
ARRA - Public Safety Partnership and Community Policing Grants	16.710	2013-UM-WX-0094	38,436
Recovery Act - Edward Byrne Memorial Justice Assistance			
Grant (JAG) Program/Grants to Units of Local Government	16.804	2009-SB-BP-0869	35,409
Total Department of Justice			85,515
Total Expenditures of Federal Awards			\$ 5,888,923
***** "No" Pass-Through Entity Identifying Number Given			

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City, and is presented on the modified accrual basis of accounting. 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*. City of Aberdeen received federal awards both directly from federal agencies and indirectly through pass-through entities. If federal financial assistance is provided to a subrecipient, it is treated as an expenditure when it is paid to the subrecipient.

Note B – Significant Accounting Policies

Governmental fund types account for the City's federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The City's summary of significant accounting policies is presented in Note 1 in the City's basic financial statements.

Note C — Federal Surplus Property

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

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 §.510(a):	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Airport Improvement Program	20.106
Highway and Planning Construction Cluster	20.205/20.219
Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2014-A - Financial Statements and Footnotes are Prepared with Assistance by the Auditor, Which at Times Includes Material Proposed Adjustments (Including Correction of Errors) to the Financial Statements

Material Weakness

Criteria: An organization's internal control structure should provide for the recording of all necessary material adjustments and the preparation of financial statements and footnotes in accordance with generally accepted accounting principles.

Condition: The City does not have an internal control system designed to provide for the preparation of the financial statements including required footnotes and disclosures, including all necessary material audit adjustments to the City's financial statements. During the course of our engagement, we were requested to assist with drafting the financial statements and accompanying notes to those financial statements and we proposed material audit adjustments to the City's recorded account balance. In addition, a material adjustment related to prior year financial statements was required, which resulted in a restatement of beginning sewer fund net position.

Cause: The City does not have staff with the specific training needed to prepare the financial statements and footnotes.

Effect: The assistance with the preparation of financial statements as a part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by City personnel. The need for proposed audit adjustments indicates that the City's interim financial information is not materially correct, which may affect management decisions made during the course of the year.

Recommendation: It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management Response and Corrective Action Plan

Actions Planned in Response to Finding: Management and the City Council will review for propriety the draft financial statements and footnotes prepared by the auditor and review all recommended audit adjusting entries proposed by the auditor. Due to the City's size, we will accept the risk associated with this condition based on cost and other considerations.

Explanation of Disagreement: No disagreement noted.

Official Responsible for Ensuring Corrective Action Plan: Karl Alberts, Finance Officer

Planned Completion for Correction Action: Ongoing

Plan to Monitor Completion of Corrective Action: Management will consider whether additional training would be beneficial.

Finding 2014-B – Reconciliation of Fixed Assets and Accumulated Depreciation

Significant Deficiency

Criteria: An organization’s internal control structure should provide for the proper recording and reconciling of fixed asset activity maintained in the depreciation schedules to the general ledger accounts and financial statements.

Condition: The City does not have a monitoring control designed to provide for the proper recording and reconciling of fixed asset activity in the maintained depreciation schedules to the general ledger accounts and financial statements. During the course of our engagement, we noted discrepancies in reconciling fixed asset activity from maintained depreciation schedules to the general ledger account balances; however, the discrepancies were not material to the financial statements.

Cause: The City did not perform a thorough review and comparison of the depreciation schedules to the general ledger to ensure that all fixed asset activity was properly recorded in the financial statements.

Effect: The inability to properly reconcile fixed asset activity to depreciation schedules and general ledger accounts may result in misstatements to the financial statements and related information included in financial statement disclosures not being an accurate account of fixed asset activity of the City.

Recommendation: We would recommend that a review is performed by an individual outside of the individual recording the fixed assets into the depreciation system to ensure that these items are being properly reflected into the general ledger.

Management Response and Corrective Action Plan

Actions Planned in Response to Finding: Management will reassess procedures for recording, reconciling, and monitoring fixed asset additions and deletions.

Explanation of Disagreement: No disagreement noted.

Official Responsible for Ensuring Corrective Action Plan: Karl Alberts, Finance Officer

Planned Completion for Correction Action: December 31, 2015

Plan to Monitor Completion of Corrective Action: Management will reassess the reconciling procedures of fixed asset activity to the maintained depreciation schedules to ensure that all activity recorded in the general ledger is complete and accurate.

Finding 2014-C – Information Technology Controls

Significant Deficiency

Criteria: An organization's internal control structure in regards to information technology should provide for the safeguarding of financial statement information by testing and reviewing the vulnerability of the information technology system and by reviewing the audit log to ensure transactions were authorized.

Condition: In performing an annual information technology assessment, it was discovered that there are certain missing controls that could pose a potential threat to safeguarding financial statement information the access to the financial statement information through the accounting software.

Cause: The City has not implemented controls to perform vulnerability testing over network resources. The City also has not implemented controls to review the audit log system for the accounting software.

Effect: These missing controls could cause the City to be vulnerable to outside penetration to the system as well as make the City vulnerable to unauthorized access and use to the accounting systems software. This may result in misstatements and improper recording of financial information systems within the financial statements.

Recommendation: In an effort to further strengthen technology controls, we recommend that the City consider:

- Scheduling independent external penetration / internal vulnerability testing over network resources.
- Establishing procedures to review the InCode audit log for the System Admin user account activity to verify such activities are properly authorized.

Management Response and Corrective Action Plan

Actions Planned in Response to Finding: Management will consider establishing policies and procedures to address the missing controls described above related to testing for internal vulnerability and external penetration over network resource and review of account activity.

Explanation of Disagreement: No disagreement noted.

Official Responsible for Ensuring Corrective Action Plan: Karl Alberts, Finance Officer

Planned Completion for Correction Action: September 30, 2015

Plan to Monitor Completion of Corrective Action: City management evaluate the cost/benefit of further strengthening internal controls over technology resources by obtaining a proposal for independent external penetration and internal vulnerability testing over network resources. In addition, City management will work with IT personnel to establish procedures to review the accounting software log for system administration account activity to ensure such activities are authorized.

Section III – Federal Award Findings and Questioned Costs

No findings reported in the current year.

Financial Statement Findings

2013-A - Financial Statements and Footnotes are Prepared by the Auditor, Which at Times Includes Material Proposed Adjustments (Including Correction of Errors) to the Financial Statements

Finding: The City does not have an internal control system designed to provide for the preparation of the financial statements including required footnotes and disclosures, including all necessary material audit adjustments to the City's financial statements as well as properly identifying major funds within the financial statements. During the course of our engagement, we were requested to draft the financial statements and accompanying notes to those financial statements and we proposed material audit adjustments to the City's recorded account balances and the classification of major funds. In addition, we proposed a material audit adjustment related to prior year financial statements, which required restatement of beginning general fund balance.

Status: Not corrected.

Auditor Response: This prior year finding has been restated as 2014-A.

2013-B – Reconciliation of Fixed Assets and Accumulated Depreciation

Finding: The City does not have an internal control system designed to provide for the proper recording and reconciling of fixed asset activity in the maintained depreciation schedules to the general ledger accounts and financial statements. During the course of our engagement, we noted discrepancies in reconciling fixed asset activity from maintained depreciation schedules to the general ledger account balances; however, the discrepancies were not material to the financial statements.

Status: Not corrected.

Auditor Response: This prior year finding has been restated as 2014-B.

2013-C – Information Technology Controls

Finding: In performing an annual information technology assessment, it was discovered that there are certain missing controls that could pose a potential threat to safeguarding financial statement information the access to the financial statement information through the accounting software.

Status: Not fully corrected.

Auditor Response: This prior year finding has been restated as 2014-C.

Findings Related to Federal Awards

2013-001

**Department of Transportation
Passed Through South Dakota Department of Transportation
CFDA #20.106
Airport Improvement Program**

**Compliance Requirement: Suspension/Debarment
Material Weakness in Internal Control over Compliance**

Finding: The City did not establish internal controls to ensure that a search is performed to determine if the contractor awarded the bid for work under this grant program was considered suspended or debarred. Alternatively, the City did not establish internal controls to have the contractor sign a certification that they were not suspended or debarred. However, it was noted that the vendor selected in this case was not listed in the excluded parties listing at the federal website sam.gov.

Status: This prior year finding has been corrected.